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# ***Daily Report***

## **China**

FBIS-CHI-88-149  
Wednesday  
3 August 1988

# Daily Report

## China

FBIS-CHI-88-149

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3 Aug 1988

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## United States & Canada

### Qian Qichen Meets U.S. Disarmament Director

OW0308081588 Beijing XINHUA in English  
0741 GMT 3 Aug 88

[Text] Beijing, August 3 (XINHUA)—Chinese Foreign Minister Qian Qichen met William F. Burns, director of the Arms Control and Disarmament Agency of the United States, here August 1.

Burns is here for Sino-U.S. consultations on disarmament.

On August 2, Chinese Vice-Foreign Minister Zhu Qizhen and Assistant Foreign Minister Li Daoyu respectively met Burns to exchange views on arms control and disarmament.

This was the 5th regular meeting of consultations on disarmament between China and the U.S. since 1984.

### Embassy in Washington Holds Army Day Reception

OW0208120388 Beijing XINHUA in English  
0636 GMT 2 Aug 88

[Text] Washington, August 1 (XINHUA)—Defense Attache Zhang Naicheng and the military, naval and air attaches of the Chinese Embassy in Washington gave a reception here tonight to mark the 61st anniversary of the founding of the Chinese People's Liberation Army (PLA).

Among the 750 guests attending the reception were U.S. Under Secretary of Defense for Acquisition Robert B. Costello, Special Adviser to the President and Secretary of State for Arms Control, Ambassador Edward L. Rowe, Assistant Secretary of Defense Jack Katzen, Senator Chic Hecht (Republican-Nevada), and high-ranking military officers and military attaches from other countries in Washington.

Chinese Ambassador to the United States Han Xu and Minister Qian Yongnian were also present on the occasion.

### U.S. Vice President Discusses Foreign Policy

OW0308081788 Beijing XINHUA in English  
0643 GMT 3 Aug 88

[Text] Washington, August 2 (XINHUA)—U.S. Vice President George Bush said today that he would continue to upgrade U.S. nuclear forces while aggressively pursuing nuclear arms reduction accords.

"To halt modernization of our strategic deterrent is to disarm unilaterally—rendering the United States increasingly vulnerable and reducing incentives for serious negotiations by the Soviet Union," Bush said.

Bush, the Republican Party's presidential candidate-to-be, criticized in a major foreign policy speech his Democratic contender Michael Dukakis who opposes the mobile MX and Midgetman missiles.

He also accused the Massachusetts governor of standing against the "Star Wars" missile defense system and the related anti-tactical ballistic missile system.

Bush promised to put a single senior official in charge of ballistic missile programs and "give him the responsibility to integrate the intelligence, military, technical, diplomatic and economic resources needed to get the job done."

The vice president, in his address to the Chicago-based Mid-America Committee, a business leaders' organization that studies and exchanges foreign policy views, also pledged to try to ban the production of chemical weapons.

Bush said that the United States is entering a new era which "demands from America and its elected officials firm, consistent and experienced leadership with a program that can shape the course of change."

"We have come to the end of the post-war era—a unique moment to determine America's place for the rest of the century," he said.

"We can move the world once again—or we can be pushed along by it. It is not a time for timidity, hesitancy and on-the-job training."

The vice president made a number of thinly veiled comments dismissing Dukakis as too inexperienced to lead the United States in the world arena.

Observers here said that Bush has to be careful in attacking Dukakis' lacking of experience in foreign policy, otherwise it would backfire. President Ronald Reagan, former governor of California with little foreign policy experience, once said that he believes the best preparation for being president is to be governor of a state.

## Soviet Union

### Sino-Soviet Talks on Cambodia To Begin

HK0308131788 Hong Kong AFP in English  
1234 GMT 3 Aug 88

[Text] Beijing, Aug 3 (AFP)—Chinese and Soviet officials are to meet here around August 20 for the first talks between the two countries on ways to bring peace to Cambodia, a well-placed Soviet source said here Wednesday.



Deputy Foreign Minister Igor Rogachev will head the Soviet delegation and is expected here August 20, the source said, adding that the talks will probably last less than a week.

The two countries support opposite sides in the Cambodian conflict and Western diplomats here said the talks will mark another step forward in the normalisation of Sino-Soviet relations.

Moscow backs Vietnam and the Phnom Penh government Hanoi's troops installed, while Beijing supports the resistance, in particular the Khmer Rouge faction.

Mr. Rogachev has been Moscow's top negotiator in several rounds of normalization talks between the two sides and he is expected to be dealing with his Chinese counterpart, Tian Zengpei.

The Sino-Soviet talks will be held barely a month after informal talks in Bogor, Indonesia, that for the first time brought to the negotiating table the four warring Cambodian factions.

Also at the talks were delegates from Vietnam, Laos and the six non-communist members of the Association of South East Asian Nations—Indonesia, Malaysia, Singapore, Brunei, Thailand and the Philippines.

China's top leader, Deng Xiaoping, has said he will be ready to meet Soviet leader Mikhail Gorbachev if he puts pressure on Vietnam to withdraw from Cambodia its estimated 90,000 to 120,000 troops.

Vietnamese troops entered Cambodia in 1978 and ousted the Khmer Rouge regime that killed hundreds of thousands of Cambodians during its four year rule.

**USSR Supports Cambodian Settlement Initiatives**  
*OW0308034288 Beijing XINHUA in English*  
0111 GMT 3 Aug 88

[Text] Moscow, August 2 (XINHUA)—Soviet Foreign Ministry spokesman Vadim Perfilov told a news briefing today that the Soviet Union supports constructive initiatives to the settlement of the Kampuchean issue.

In accordance with "new thinking" in foreign policy, the Soviets are calling for the settlement of regional conflicts by political means, and according to the Foreign Ministry spokesman, it "supports and welcomes" the informal talks between the four warring sides of Kampuchea held late last month in Indonesia.

The Soviet press has been filled recently with reports and commentaries on the leadership's recent view that Kampuchean internal affairs be settled by all concerned parties on the basis of national reconciliation. On the other hand, it has also expressed intolerance of the armed forces led by Pol Pot.

However, in accordance with the Vietnamese view, the Soviets have never mentioned calls from abroad for it to urge Vietnam to immediately pull out all occupation troops from Kampuchea under international supervision, which is the key to the political settlement of the issue. Instead, it attributes the failure in solving the Kampuchean issue to the Khmer Rouge.

**PRC Provinces Promote Border Trade With USSR**  
*OW0308053888 Beijing in Russian to the USSR*  
1800 GMT 31 Jul 88

["Correspondence" on Trade Fair in Heihe, Heilongjiang]

[Text] It is widely known that in recent years, trade and economic ties between the PRC and the Soviet Union have been speedily restored and developed. The Soviet Union is already the fifth largest importer of PRC exports, thus becoming a major trading partner. So as to fully develop the Chinese-Soviet trade potential and to satisfy the needs of the people living in the border regions of the two countries, Heilongjiang Province, the Inner Mongolian Autonomous Region, the Xinjiang Uygur Autonomous Region, as well as Jilin Province have begun to actively promote border trade with the Soviet Union. Today we will tell you about the trade fair held in Heihe, Heilongjiang Province.

At the Heihe trade fair, which opened in July this year, Soviet trade delegations from Amur Oblast displayed a keen interest in Chinese goods. Import-export agreements and contracts worth 13 million Swiss francs were signed. Talks on 15 forms of economic and technical cooperation between the PRC and the USSR took place.

The trade fair opened on 1 July. At the invitation of the Chinese side, a 25-member Soviet delegation headed by (?Simanid), deputy chairman of the Amur Oblast Executive Committee, came to Heihe by ship for talks. After visiting four pavilions, the delegation members were impressed with the wide choice of goods. (?Simanid) was delighted that the Chinese side had made available such high quality goods; he expressed the hope that the volume of bilateral barter trade would increase tenfold. Counselor (?Bekharov) said that if China can manufacture such high quality goods, it means that the Chinese people possess a great creative force.

When the representatives of enterprises participating in the trade fair saw that the main person selecting goods was Zharikov, head of the Amur Oblast Trade Executive, they were quick to offer him examples of their products. They also began to tell him all about their goods and plants. Comrade Zharikov was touched by the cordial reception given by the Chinese workers. So as not to forget his selections, he found an ingenious solution. He signed his name on the display cards of the goods he selected and then handed them to accompanying officials.

Participating in the trade fair and economic and technical cooperation talks were 495 enterprises from 18 provinces, autonomous regions, and cities under the direct administration of the central government. Some 8,500 exhibits were on display.

The Soviet trade delegation noted emphatically that the time was short and asked to postpone the closing day from 3 to 9 July so that a second delegation could come to Heihe to choose and order goods. The Chinese side agreed to this.

The Soviet delegation, while selecting goods, highly praised the displayed clothes, footwear, hats, electronics, medical technology, furniture, produce, and drinks. When the delegation saw the diagnostic ultrasound equipment in the No. 4 pavilion, many Soviet comrades wanted to examine it on the spot. When [words indistinct] they were happy to note that ultrasound diagnostic equipment was indeed very accurate.

During the 9-day talks, the sides discussed the question of processing materials on [words indistinct], service availability, setting up enterprises based on joint capital, and other ventures—a total of 15 forms of technical cooperation.

Delegation head (?Simanid) as well as delegation members from the Amur trade department and consumer cooperatives were very happy that the Chinese side had presented them with such good opportunities for placing orders.

The Soviet comrades invited a Heihe delegation to come to Blagoveshchensk in the latter part of July to organize a trade fair of Chinese goods. The Chinese side was happy to accept the invitation.

**Sino-Soviet Joint Venture To Produce Paper Pulp**  
*HK0208140188 Beijing CEI Database in English*  
2 Aug 88

[Text] Beijing (CEI)—China and the Soviet Union have decided to build a paper pulp factory, a large joint venture, in China to produce a planned 250,000 tons of bleached wooden pulp every year with the abundant forest resources in Soviet Siberia.

It is the largest joint venture of light industry so far in China and one of the largest among the joint ventures in the country.

According to feasibility studies by the experts of both sides, the project will yield satisfactory economic results and the technical program is feasible.

The preparation is under way, including choosing a proper site for the factory.

**Northeast Asia**

**Ceremony Marks 35th Anniversary of Korean War**  
*HK0308025588 Beijing RENMIN RIBAO*  
*in Chinese 28 Jul 88 p 6*

[Dispatch by reporter Xu Baokang (1776 1405 1660): "Korean Leaders Lay Wreaths at the Korean-Chinese Friendship Monument"]

[Text] Pyongyang, 27 Jul—To mark the 35th anniversary of the liberation war of the motherland in Korea and recall the brilliant achievements of the Chinese people's volunteers, Korean party and government leaders this morning laid wreaths at the Korean-Chinese Friendship Monument in Pyongyang.

Today the Korean-Chinese Friendship Monument was enveloped by a solemn and dignified atmosphere. Two wreaths presented by Kim Il-song and Kim Chong-il were laid in front of the monument. The Korean Workers' Party Central Committee, the Central People's Committee, and the Administration Council jointly presented a wreath. Other units presenting wreaths included the Ministry of the People's Armed Forces, the Chinese Embassy to Korea, and so on.

The Korean party and government leaders who were present at the ceremony included Yi Chong-ok, Kim Yong-nam, Choe Kwang, Kang Hui-won, Kim Pok-sin, Chong Chun-ki, and responsible persons from other relevant departments.

Diplomats from the Chinese Embassy to Korea also attended today's ceremony.

On 25 July, a delegation from the Korean People's Army of the Korean-Chinese side of the Korean Military Armistice Commission; a delegation from the Chinese People's Volunteers; and delegations from Czechoslovakia and Poland, as members of the Neutral State Supervisory Committee, laid wreaths at the Cemetery of Revolutionary Martyrs of the Chinese People's Volunteers and the Korean People's Army in Kaesong.

Today, the Korean Central Commission presented medals and awards at the Mansu Assembly Hall to members of the Chinese People's Volunteers in the Korean-Chinese side of the Korean Military Armistice Commission; working personnel of the Liaison Office of the Chinese People's Volunteers; and to members and working personnel of the delegations from Czechoslovakia and Poland who participate in the Neutral State Supervisory Committee.

**RENMIN RIBAO Notes Statement on Korea**  
*HK0308093088 Beijing RENMIN RIBAO*  
*in Chinese 3 Aug p 1*

[Xinhua report: "China Welcomes Dialogue Between Two Sides in Korea"]

[Text] A Chinese Foreign Ministry spokesman said here today that "it will be a welcome sign if the two sides in Korea can sit down together and hold talks. China has always stood for contact and dialogue between the two sides."

The spokesman made these remarks after he was asked to comment on the fact that the two Korean sides are making preparations for a joint parliamentary meeting.

**DPRK Consulate Holds Reception in Shenyang**  
*SK0208034088 Shenyang LIAONING RIBAO*  
*in Chinese 12 Jul 88 p 1*

[Text] On the evening of 11 July, Yu Man-pok, consul general of the DPRK Consulate in Shenyang, held a reception at the Liaoning Building to celebrate the 27th signing anniversary of the friendly cooperation and mutual aid treaty between Korea and China.

Vice Governor Zhu Jiazhen, Shenyang Vice Mayor Jin Mingshi, and responsible comrades of the Shenyang City departments concerned were invited to the reception.

**Dalian Trade Delegation To Visit Seoul**  
*SK0208070788 Seoul TONG-A ILBO in Korean*  
*29 Jul 88 p 4*

[By Hong Kong correspondent Kim Chong-so]

[Text] A well-placed source stated on 29 July that an economic and trade delegation from the city of Dalian headed by Zhang Ruren, director of the Dalian Committee of Foreign Economic Relations and Trade and vice president of Dalian City International Trading Company, Liaoning Province, PRC, will arrive in Korea on 30 July for a visit.

Dalian's 8-man economic and trade delegation is to inspect industrial facilities in Seoul and Pusan and other areas in Korea during its 9-day sojourn and discuss with representatives of major Korean business firms such issues as investment and establishing joint ventures in Dalian, according to this source.

**S. Korean Firm To Build TV Plant in Gumi City**  
*OW0208051588 Tokyo KYODO in English*  
*0452 GMT 2 Aug 88*

[Text] Seoul, Aug. 2 KYODO—The Dae Woo Group, a major South Korean conglomerate, announced Tuesday that its subsidiary Orion Electric Co., a television picture tube maker, is building a plant to manufacture color TV tubes in Gumi City, in a joint venture with China.

This marks the first time that South Korea and China have set up a joint venture in South Korea.

The equally owned joint venture is expected to produce three million color TV tubes annually. Dae Woo officials said their company will provide technology and personnel for the joint venture.

Most of the products, supervised by Dae Woo management, will be exported to China, the officials added.

**Sino-Japanese Group Wins Fujian Contract**  
*OW0208051888 Beijing XINHUA in English*  
*1405 GMT 1 Aug 88*

[Text] Fuzhou, August 1 (XINHUA)—A cooperative group jointly formed by the China International Trust and Investment Corporation and Japan's C. Itoh and Co. Ltd has emerged the winner of the bidding for two generating units for the Shuikou Hydroelectric Power Station.

The winning cooperative group and 2 enterprises—one from China and the other from Japan—will undertake to construct 2 generating units each with a capacity of 200,000 kw for the power station in Fujian Province.

The Shuikou Power Station, which will be the largest in east China, is designed to have a total installed capacity of 1.4 million kw and is expected to be completed in 1995.

**Japanese Prefecture Delegation Visits Jilin**  
*SK0308045688 Changchun Jilin Provincial Service*  
*in Mandarin 2190 GMT 2 Aug 88*

[Text] At the invitation of the Foreign Affairs Office under the provincial People's Government and the provincial People's Association for Friendship With Foreign Countries, a seven-member delegation of the Miyagi Prefectural Representative Assembly Members' Federation, headed by (Sonefu Tsugio), head of the federation, arrived in our province by train on 2 August.

On that day, members of the delegation visited the provincial People's Congress Standing Committee, the provincial government, and the Changchun City People's Congress Standing Committee.

Cui Lin, vice chairman of the provincial People's Congress Standing Committee; Liu Xilin, vice provincial governor; and Zhou Zhiyuan, vice chairman of the city People's Congress Standing Committee, met with the delegation and cordially talked with them.

That evening, Cui Lin, vice chairman of the provincial People's Congress Standing Committee, feted all members of the delegation.



**Container Shipping Line to Japan Opened**  
*HK0108153388 Beijing CEI Database in English*  
1 Aug 88

[Text] Nanjing (CEI)—A regular container shipping line to Japan, managed jointly by Lianyungang and Qingdao ports, was opened on July 28.

The first container ship "Jinghe" has left Lianyungang Port for Kobe. It accommodates 270 containers with a capacity of 62 million tons.

Container ships on this line are on service once a month between Kobe, Qingdao and Lianyungang. The newly opened line may be linked up with the Sino-U.S., Sino-Australian shipping lines.

**Examination Proves Japanese Tourist Murdered**  
*OW0208084188 Beijing XINHUA in English*  
0800 GMT 2 Aug 88

[Text] Shanghai, August 2 (XINHUA)—Chinese forensic experts have concluded that a Japanese businessman found dead in his room at the Jinjiang Hotel in Shanghai had been murdered.

An examination showed that Kobayashi Koji, 58, had been strangled, a spokesman for the Shanghai Public Security Bureau said.

Hotel attendants found Kobayashi's body on the morning of July 30.

Kobayashi, a private businessman from Okayama County, had been in Shanghai only two days, arriving from Osaka, and had taken a room in the hotel's new southern building.

The examination had been approved by both the Japanese Consulate in Shanghai and relatives of the dead who arrived in Shanghai to identify the body.

**Southeast Asia & Pacific**

**SRV Accuses U.S. of Hindering Resettlement**  
*OW0208105888 Beijing XINHUA in English*  
0950 GMT 2 Aug 88

[Text] Hanoi, August 2 (XINHUA)—The official Vietnam News Agency (VNA) today accused the United States of hindering resettlement of released Vietnamese re-education center detainees and their close relations who wish to live in the United States.

The VNA said Vietnam wants to solve the question "as soon as possible," but discussions between Hanoi and Washington recently "brought no result due to the U.S. negative attitude".

"The two sides are continuing to discuss the U.S. guarantee that it shall not tolerate any hostile activities against Vietnam by the released re-education camp inmates when they are resettled in the United States," VNA said.

The agency said that the biggest obstacle lies in the U.S. refusal to set up a working group to organize the emigration to the U.S. of about 500,000 people, including relatives of the released inmates, and to oversee the execution of its commitment.

The U.S. State Department has estimated that 900,000 former employees of the U.S. Government in South Vietnam and officials of the defeated Saigon regime were sent to political re-education camps after the fall of Saigon and unification of the country in 1975.

**Son Sann Discusses Cambodian Situation**  
*OW0208123288 Beijing XINHUA in English*  
1213 GMT 2 Aug 88

[Text] Singapore, August 2 (XINHUA)—Son Sann, chairman of the Khmer People's National Liberation Front, expressed his wishes here this afternoon that "Vietnamese were sincere and match their words with deeds to end the too long sufferings of the Kampuchean and Vietnamese peoples."

Speaking in an interview here, Son Sann stressed that the endless war in Kampuchea causes a horrible devastation of human lives and culture in both Kampuchea and Vietnam. It has as well threatened peace and security of Southeast Asia.

He said that an international peace-keeping force under an international control commission has to be accepted to ensure the withdrawal of the Vietnamese troops and that there are no abuses.

Son Sann said the composition of the international peace-keeping force should be acceptable to all parties through a U.N. proposal.

On Khmer national reconciliation, he said, "we must ensure through mechanisms of checks and balances including international guarantees that no single party is strong enough to seize power or dominate the others."

Once the Vietnamese troops withdrawal and the Khmer national reconciliation are achieved, all four Khmer parties could freely determine their destiny, he said.

Regarding the Jakarta informal meeting (JIM) on Kampuchea held from July 25 to 28, Son Sann said he went to JIM with precise preconceptions: Vietnamese troop withdrawal, national reconciliation of all four Khmer parties in a quadripartite reconciliation government, self-determination of the Khmer people, and independent, neutral and non-aligned Kampuchea in its territorial integrity.

Son Sann arrived here yesterday morning for exchange of views with Singapore leaders. He will leave Singapore for Brunei tomorrow morning. He will also visit Malaysia and Thailand.

#### **Hanoi Praises Phnom Penh Regime**

OW0208150488 Beijing XINHUA in English  
1011 GMT 2 Aug 88

[Text] Hanoi, August 2 (XINHUA)—The Vietnamese Communist Party newspaper "NHAN DAN", in a commentary today, lavished praise on the role of the Vietnamese-controlled Phnom Penh regime in the recent Jakarta informal meeting on Kampuchea.

The commentary said the regime "made a great contribution" to the "cocktail party" meeting which was held in Jakarta, Indonesia, between July 25 and 28.

It also lauded the seven-point proposal on Kampuchea put forward by Phnom Penh at the meeting at the instigation of Vietnam.

If there had been no "voice" from the Phnom Penh regime, the commentary claimed, "there could not have been a political solution" to the Kampuchean problem.

Observers here believe that the Jakarta meeting showed that Vietnam will more than ever before let Phnom Penh speak for Vietnamese intentions in Kampuchea.

#### **Vietnamese Stronghold Attacked in Cambodia**

OW0208181388 Beijing XINHUA in English  
1416 GMT 2 Aug 88

[Text] Bangkok, August 2 (XINHUA)—A unit of the National Army of Democratic Kampuchea launched an attack at a Vietnamese stronghold at Height 23 last night and another stronghold at Height 75 this morning in the Phnom Malai Hill area in northwest Kampuchea.

A report from the Thai border town of Aranyaprathet this evening said that the fightings are continuing.

The report said that Vietnamese troops fired a large number of shells at the Kampuchean National Army, part of which fell into the Aranyaprathet District of Thailand's Prachinburi Province, damaging two civilian houses and one school. 364 border residents have left their homes to escape the fierce fightings.

#### **Malaysia, SRV To Discuss Refugee Issue in Hanoi**

OW0208152788 Beijing XINHUA in English  
1126 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—Malaysian Deputy Prime Minister Ghafar Baba will fly to Hanoi next month to explore ways of stopping the exodus of Vietnamese refugees, Malaysian Foreign Ministry Secretary General Yusof Hitam said today in Kuala Lumpur.

Ghafar, who will be accompanied by Foreign Minister Abu Hassan Omar and other senior officials, will discuss with the Hanoi authorities the possible voluntary repatriation of the Vietnamese. The meeting will also include talks on Vietnam's participation in a U.N.-sponsored international conference on refugees, planned for the first quarter of 1989, the UNITED PRESS INTERNATIONAL (UPI) quoted Yusof as saying.

"We will ask Hanoi what the prospects are because we fear that if the economic situation does not improve there will be no end in sight to the refugee outflow," Yusof said.

He said the delegation will also explain the Malaysian Government's intention to shut down its major refugee holding camp on Bidong Island off the Trengganu coast, the UPI report said.

Ghafar said there were 13,000 Vietnamese in his country awaiting resettlement in third countries, and he warned that the Malaysian Government would no longer give new arrivals refugee status, but would regard them as illegal immigrants, according to the report.

### **Near East & South Asia**

#### **Ziaul Haq Remarks on India-Pakistan Relations**

OW0208092188 Beijing XINHUA in English  
0810 GMT 1 Aug 88

[Text] Islamabad, August 1 (XINHUA)—President Mohammad Ziaul Haq has expressed the confidence that before long there will be reconciliation between Pakistan and India with the latter eventually reconciling to the existence of Pakistan.

In an interview with Federal German Magazine "INDO ASIA" recently, President Zia said that he saw no reason why the two countries should not be able to get along with their different principles and different systems of life.

Pakistan and India, he said, must reconcile because of their common interests as the security of the region depends on the relationship between the two countries.

The initiative, however, must come from India because she is the bigger country, the president added.

He said that the two countries' commonality of interests and the realization of the interests mean that they should talk to each other.

Explaining the efforts made by Pakistan for the normalization of relations between the two countries, Zia recounted the offer of a non-aggression pact to India, which the late Indian Prime Minister Indira Gandhi did not accept. Instead, she offered a treaty of friendship, the president said, adding that a treaty is not really of a friendship.

What is needed to keep the two neighbors close is a commitment that "we shall not fight but reconcile," he said.

**Pakistan's Foreign Minister Visits USSR**

OW0308042888 Beijing XINHUA in English  
0147 GMT 3 Aug 88

[Text] Moscow, August 2 (XINHUA)—Pakistan's foreign minister, Sahabzada Yaqub Khan, arrived here today for a working visit, the official Soviet news agency TASS reported.

Tass said Yaqub Khan is expected to talk with Soviet officials on the application of the Geneva accord on Afghanistan.

Recently, Pakistan said that the Soviet Union not only stopped its troop withdrawal from Afghanistan, but has sent more than 10,000 fresh soldiers into the country. The allegation was denied by the Soviets.

Soviet Foreign Ministry spokesman Vadim Perilyev told a press briefing today that the Afghan armed opposition is still receiving a steady supply of weapons and munitions from Pakistan in "violation of the Geneva agreement."

The Pakistani minister will hold talks with his Soviet counterpart, Eduard Shevardnadze.

The Soviets started to pull out their more than 100,000 soldiers from Afghanistan on May 15 under the agreement signed April 14 in Geneva by the United States, the Soviet Union, Afghanistan, and Pakistan. The withdrawal is to be completed by next February 15.

**Pakistan's Sajjad Rebuts Soviet Charges**

OW0208052688 Beijing XINHUA in English 0610  
GMT 1 Aug 88

[Text] Islamabad, August 1 (XINHUA)—Pakistan has faithfully observed its obligations under the Geneva accord on Afghanistan and is committed to doing so in the future.

This was stated at a Senate meeting here yesterday by Pakistan Minister for Justice and Parliamentary Affairs Wasim Sajjad when speaking on behalf of the minister for foreign affairs in regard to the recent Soviet accusations that Pakistan was violating the Geneva agreement.

The minister said that the Geneva accord lays down a specific procedure for the investigation of complaints to determine the merits or otherwise of an allegation lodged by any of the parties.

This procedure, he said, must be observed before a verdict can be passed as to whether or not either side has violated its obligations under the agreement.

The minister said that Pakistan has also registered several complaints with the United Nations Good Offices Mission for Afghanistan and Pakistan (UNGOMAP) but "we have followed the procedure instead of resorting to propaganda exercises."

He noted that since the Geneva accord came into force on May 15, there have been more than 92 ground violations of Pakistan territory and 25 violations of its air space.

"We have asked the UNGOMAP to take up these complaints with the Kabul regime. Moreover, we have also handed over to the UNGOMAP a detailed list giving the locations of training camps maintained by Kabul for saboteurs and terrorists to be infiltrated into Pakistan," he said.

He said that there have also been repeated incidents of Soviet involvement in military actions against the Afghan resistance forces. Such continued operations by the Soviet forces, he noted, have not only deterred the refugees from returning to their homes but also enforced a new influx since May 15.

The minister said that during his latest shuttle diplomacy in the region United Nations mediator on Afghanistan Diego Cordovez expressed satisfaction at the cooperation being extended by Pakistan to the UNGOMAP.

"We have re-assured him that Pakistan will continue to extend full cooperation to enable the observers to carry out their obligations", he added.

**Afghan Resistance Said Planning Attack on Kabul**

OW0208152688 Beijing XINHUA in English  
0727 GMT 2 Aug 88

[Text] Islamabad, August 2 (XINHUA)—Afghan mujahidin (holy-war fighters) are preparing for a large-scale assault on the Afghan capital Kabul.

This was stated yesterday by Char Gul Tashar, mujahidin field commander in Wardak Province adjacent to Kabul Province.

Speaking at a press conference in Karachi, the largest city in Pakistan, Tashar refused to disclose the exact timing of the attack on Kabul because he said it is against military strategy.

However, he noted, the attack is to be launched shortly.

Tashar claimed that the freedom fighters have gained full control of Wardak Province by cutting off the highway from Kabul to Qandahar, the second biggest city in Afghanistan.

He said that Wardak Province is considered a very important area from a strategic point of view.



At present, the commander noted, the Soviet and Kabul regime troops have been evacuated from the province leaving its control in the hands of the Muslim guerrillas.

**Afghan Rebels To Release 2 Soviet POW's**  
*OW0208091988 Beijing XINHUA in English*  
0704 GMT 2 Aug 88

[Text] Islamabad, August 2 (XINHUA)—The seven-party Afghan resistance alliance has announced its decision to release two Soviet prisoners of war (POW).

The announcement was made here yesterday in a press statement by alliance chairman Sayyed Ahmad Gaylani who said this is being done as a gesture of good-will.

However, Gaylani noted, the policy on Soviet POWs "will be adjusted in accordance with any positive or negative Soviet reaction in this regard".

The Soviet POWs will soon be repatriated through the International Red Cross.

Earlier, Moscow listed 311 Soviet soldiers as missing in action in Afghanistan and said most of them are in the hands of the Afghan resistance forces.

**Sub-Saharan Africa**

**NPC's Lei Jieqiong Meets Sudanese Amity Group**  
*OW0108132588 Beijing XINHUA in English*  
0740 GMT 1 Aug 88

[Text] Beijing, August 1 (XINHUA)—Lei Jieqiong, vice-chairman of the Standing Committee of the Chinese National People's Congress, met here today a delegation from the Sudan-China Friendship Association of the Sudan, headed by the association's Vice-President Mubarak Osman.

The delegation arrived in Beijing July 22 at the invitation of the Chinese People's Association for Friendship With Foreign Countries.

**Latin America & Caribbean**

**PRC, Costa Rican Firms Sign Investment Accord**  
*OW0308081488 Beijing XINHUA in English*  
0628 GMT 3 Aug 88

[Text] San Jose, August 2 (XINHUA)—The Chinese firm United Trading Corporation, S.A. (CUTC), with headquarters in Panama, and the Costa Rican firm, Industria Textil, S.A. (Intex), recently signed an agreement of intent here concerning joint investment.

The agreement will involve the export of textile products to third markets and the supplying of Costa Rican and regional markets.

According to the agreement, the estimated total joint investment will be approximately 3.6 million U.S. dollars. China and Costa Rica will participate equally, and each will supply 50 percent of the investment.

The joint investment will be carried out by using the technology, organization and industrial plants of Intex and the convenience of the supply of raw material available through CUTC.

Industria Textil is a large firm in the region with a total of about 300 employees. It produces diverse knitted clothing, which are free from duties in the international market. It is currently a profit-making firm.

**CPC Political Bureau Meeting Said Slated To Open**  
*HK0308005288 Hong Kong WEN WEI PO in Chinese*  
3 Aug 88 p 1

[Dispatch from correspondent Liu Jui-shao: "It Is Reported That a CPC Political Bureau Meeting Will Open Today, To Focus on the Further Discussion of Agriculture"]

[IText] Beijing, 2 Aug—According to sources, the 10th meeting of the CPC Central Committee Political Bureau may open today (3 August). According to the sources, agriculture will be the main topic on the agenda. Tomorrow Du Runsheng, director of the CPC Central Committee Rural Policy Research Office, will report to the Political Bureau on the situation and put forward opinions. It is not expected that this meeting will discuss in depth the price reforms—a hot issue of concern—because the sectors concerned are currently revising the plans. It is reported that senior CPC leaders believe it would be better to resolve other problems first, and at the same time hold further discussions on price reforms.

According to the sources, in the coming month the CPC leadership will use reliable methods to observe price and market conditions, and then hold further discussions. This is a method of deciding on a scheme before taking action. Price reform is a complex issue involving broad areas, and it is essential to solicit the views of the grass roots and all sectors and consult them, study more data and questions, and make comparisons and analyses. All this takes time, and only then can a mature plan be formulated. It is better to make careful plans than to act with great haste.

Du Runsheng is expected to put forward a series of schemes regarding agricultural issues. At present special attention must be paid to improving economic stability, making efforts to smoothing out fluctuations, and preventing short-term behavior on the peasants' part, such as abandoning their farmland. It is essential to devise ways of increasing supplies and stabilizing the prices of agricultural materials. Attention must be paid to developing agriculture in eastern and central China. The state should first focus on increasing investment in agriculture in key areas such as the Huang, Huai, and Hai basins, and the northeastern plain. It is completely possible for these two areas to increase grain output by several tens of billions of jin and output of cotton, sugar, and oil-bearing crops by several million tons.

**Zhao Ziyang Discusses Price Reform in Liaoning**  
*HK0308065888 Hong Kong WEN WEI PO in Chinese*  
3 Aug 88 p 1

[Report: "Zhao Ziyang Talks About Price Reform in Liaoning"]

[Text] According to reports from Shenyang, CPC Central Committee General Secretary Zhao Ziyang recently inspected work in Liaoning Province and listened to the

work reports of the party, government, and military leaders in that province. When the provincial party committee secretary, Quan Shuren, said that the price reform is the issue that the masses are most concerned with, Zhao Ziyang pointed out that the price and wage reforms must be carried out, but it is necessary to set a ceiling to control the price rise and to guarantee the basic needs of the people in their daily lives. The price reform will change the price structure. Its success or failure will have a bearing on the entire economic structural reform and will affect the political structural reform too. It is not too difficult to prevent unrest and disturbances in the course of the price reform. What is really dangerous is that the rise in the prices of grain, raw materials, and energy will push up the prices of industrial products. As a result, the price parity will return to the old conditions, and the price structure will simply remain unchanged. In that case, we will fail to achieve the purpose of the price reform. The settlement of this issue is related to the reforms of all economic mechanisms, including the wage, personnel, and income distribution systems, as well as the reforms of the market system and the finance system. The price reform should lead to the changes in the unreasonable parts of the price structure. So various economic entities must not shift the price rise factor to each other. Our biggest problem is the lack of competition mechanisms. In the final analysis, the price reform should raise the productivity of the enterprises, especially the large and medium-sized state-owned enterprises. This is related to the enterprises' internal reforms and their management reorganization. The enterprises should be freed from the position of being affiliated with the government. The market mechanisms should be further developed. Therefore, we cannot consider the price issue merely from the angle of the price reform.

**Beijing Students, Anti-Zhao Movement Viewed**  
*HK0208140088 Hong Kong CHIUSHIH NIENTAI*  
in Chinese No 8, 1 Aug 88 pp 71-72

[Article by Lu Ching-shih (7120 0079 1102): "Sabre-Rattling: Some News About the Beijing Student Movement"—first four paragraphs in boldface as published]

[Text] A case of conflict has become a political incident which has alerted those in Zhongnanhai.

It is widely rumored that some high-ranking CPC leaders have had talks with students and that some people are attempting to overthrow Zhao by stirring up trouble among students.

The State Education Commission has relayed a document issued by the central authorities, threatening to take strong actions against university students who are engaged in the student movement for democracy.

The authorities are playing dual tactics—pacifying angry students on the one hand and, on the other, being prepared to retaliate against them.

Early in the morning of 2 June this year, Cai Qingfeng, a post-graduate student at Beijing University, was beaten up and killed by a group of scoundrels, and three other fellow students were wounded during the skirmish. In the following 2 weeks, Beijing was annoyed by serious unrest. For a while, university campuses were overwhelmed by big character posters demanding democracy, human rights, as well as legitimate rights and reasonable pay for intellectuals. What is more, during the night of 3 June and early in the next morning, more than 2,000 students from Beijing University demonstrated in front of the Ministry of Public Security on the eastern side of the Tiananmen Square. Then, around 8 June, some university students staged a spontaneous sit-in in groups at the west gate of Zhongnanhai. They urged the CPC to practice a genuine democracy and "open political power to the public," some of them even shouted the slogan "Down With Deng Xiaoping." So an ordinary case of conflict between two groups of youngsters was turned into a political incident, and further developed into a political movement against the CPC ruling authorities, which has alerted those in the top leadership in Zhongnanhai.

#### Hu Qili Held a Dialogue With Students [subhead]

It is widely rumored in Beijing that a black Mercedes Benz stretch limousine, carrying Hu Qili, member of the Secretariat, and Zhao Ziyang, General Secretary of the CPC Central Committee, was seen entering the campus of Beijing University on the afternoon of 8 June. Another version of the rumor said that inside the limousine were Hu Qili and Hu Yaobang, who is currently holding only the title of member of the Political Bureau of the CPC Central Committee. It has been reported that the talks between members of the Standing Committee of the Political Bureau of the CPC Central Committee and the leaders of Beijing University students were the root cause of the postponement of the trial of the six culprits who were accused of murdering Cai Qingfeng, which had originally been scheduled to be held on 16 June.

Public opinion is divided on this event. Those who incline to the government and support the central authorities have unanimously condemned Beijing University students for asking for too much and deliberately magnifying the incident with the aim of opposing the CPC's leadership. They have also insisted that the murder of Cai Qingfeng should only be treated as an "independent case;" and, as an "accidental criminal case," it should not be taken as a pretext for making a big fuss in opposing the party and socialism. Other people with a different opinion have sympathized with the students. They support Beijing University students in their struggle for democracy and human rights. In their opinion, the student movement, with Beijing University students playing the main role (it is alleged that although there were indications of unrest among students of Qinghua University and the Chinese People's University, the moderate factions dominated the situation there, and

therefore students of these two universities did not go on to the streets and demonstrate), was an expression of their love for the country, their concern for reform, and their worries about the nation's fate, no matter how much those who were engaged in it had magnified the Cai Qingfeng case. Based on this argument, they think one should not suppress or assume a hostile attitude against those students but give them enthusiastic support, bring their sacred and pure sentiment into full play in the struggle against bureaucratism and corruption and for social democracy. Now, people who hold to these two different views still cannot compromise with each other.

However, some rumors from Zhongnanhai said that this democratic movement staged by Beijing University students was activated by certain political forces and some organizations and originated from certain ideology and views. It is even alleged that this movement was a continuation and development of the "struggle to overthrow Hu Yaobang" that took place within the CPC Central Committee from late 1986 to early 1987. This does not mean that the movement was to further "oppose Hu" or to weed out Hu Yaobang's "surviving followers," but that it was an attempt by a political force to make use of the student movement to wipe out Zhao Ziyang's camp under the pretext of opposition to corruption and unhealthy tendencies within the party, with a view to "ridding the emperor of evil ministers." Of course, some measures taken by Zhao Ziyang have aroused grievances among people. People used to recognize him as an honest official and admitted that his children's conduct was acceptable. But some people have noted that Zhao has always tried to flatter Deng Xiaoping by doing his best to satisfy every desire of Deng Pufang, "leader" of the disabled in China; and the conduct of Zhao's sons is by no means flawless. What is more, there are faults in some of his major economic decisions, such as the strategy of giving priority to development of coastal areas. As a result, there is a new "confidence crisis" threatening this newly appointed general secretary. People of good sense can clearly see that a group of people are collaborating to overthrow Zhao.

What I have just mentioned in the preceding paragraph is about the aggravation and development of contradictions within the upper circles. Now let us go back to the position and fate of students. Actually what are the prospects for the student movement for democracy in Mainland China?

#### According to a Central Document, Trouble Makers Should Be Arrested [subhead]

One informed source said: Around 10 June, a central document was conveyed to "the cadres at and above the departmental level" of the State Education Commission headed by Li Tieying. It carried the written instructions of the five members of the Standing Committee of the CPC Political Bureau and of Deng Xiaoping, the CPC "highest authorities." The general spirit of the document



is to put out the flames of democracy burning on the campus of Beijing University and to suppress the initiators of the pro-democracy student movement among the students. The central authorities set the keynote judging that the pro-democracy student movement triggered by the Chai Qingfeng case which took place in early June was a thorough "reactionary political incident" which was premeditated and politically motivated. It also stated that behind the student disturbance there might possibly be KMT agents from Taiwan and also agents of the U.S. Central Intelligence Agency who had a hand in the disturbance, because the United States was afraid that China's reform might be successful. If China experiences success in its reform, this will be detrimental to the United States. These remarks are indeed a form of venting one's anger on and shifting responsibility onto others. The document also made an analysis: At the end of 1986, the central objective of the university students in Shanghai and other places in creating disturbances in the streets was to promote the acceleration of reform, and at that time the university students in Shanghai thought China's reform had progressed at too slow a pace. Contrary to the situation in 1986, in the current disturbance in Beijing University the students were opposed to rather than supportive of reform. Therefore, they should be dealt with seriously. The so-called dealing with them seriously is another implicit way of saying suppression and punishment.

At its conclusion, the document reveals its central intentions. They include 1) tracing reactionary rumors and statements and conducting a rectification drive in political and ideological fields in all institutions of higher learning throughout the country and 2) investigating and affixing the political and criminal responsibilities of the initiators of the disturbance in Beijing University and arresting a number of their leaders. This is indeed an exposure of the neurasthenia of the high-ranking officials in Zhongnanhai.

#### The Students' Statements are Distorted by Playing Tricks [subhead]

In the small hours of 3 June (at that time armed riot police forces from other provinces and cities had not yet been called in), some 2,000 students from Beijing University arrived at Tiananmen like a flood and rushed together to the gate of the Central [zhong yang 0022 1135] Ministry of Public Security. At that time Public Security Minister Wang Fang and Beijing Mayor Chen Xitong were studying emergency countermeasures in the ministry's office building. At the other end of the hotline telephone lying before them was Qiao Shi, who was in charge of the work of political science and law of the CPC Central Committee.

At that time, the students, filled with indignation, made "10-item" claims. Apart from demanding the government promptly investigate and clear up the Chai Qingfeng case, severely punish the murderers, and comfort and compensate the family of the deceased, the students

also voiced other fairly uncompromising conditions, such as dismissing from office the director of the Public Security Bureau of Beijing's Haiding District (the place where the incident took place belongs to Haiding District), investigating and affixing the political responsibility of the secretary of the Haiding District CPC Committee in charge of the department of political science and law, dismissing from office the director of the Beijing Municipal Public Security Bureau and Minister Wang Fang and investigating their errors of negligence of duties. When the attacking army had reached the city gates and the government was inadequately prepared, the high-ranking officials of the CPC did their best to pacify or deal with the students insincerely, for fear of the crowd dashing into the ministry's building to create a disturbance. Therefore, with Qiao Shi's nod of assent, Wang Fang let a vice public security minister personally accept eight items of the students' 10-item demands (he was in no position to make any decision on Wang Fang's dismissal and the case should have been officially forwarded by the State Council and decided by the Standing Committee of the NPC) by falsely claiming that the minister was not in his office. However, later it turned out that no claims were translated into practice. Hence, one can well perceive that what he did was nothing other than stalling tactics. Later on, word leaked out that the government and judiciary organs were "in an awkward position," because there was a question of a yardstick and proper limits in judging the criminals involved in the case: Giving death sentences to several criminals seems to be able to cool down the university students' flames of fury. (Note: This is apparently wrong. Laws are independent. How can they be dependent on the cues of certain individuals?) In addition, the municipal party committee, government, and the Beijing University authorities had promised the family of Cai Qingfeng and the Joint Action Committee of Beijing University to hold a "10,000-people memorial meeting" after the public trial and execution of the murderer. If the masses raised "excessive" slogans or demands at the memorial meeting, how could they be handled properly? In a word, although people in the higher echelons of Zhongnanhai have threateningly claimed that the student disturbance in Beijing University was no longer a criminal case, the origin of the disturbance remains a blasting fuse that is still burning. Therefore, the danger of another explosion still cannot be ruled out.

Intellectuals in Beijing are both very much concerned and doubtful about BEIJING RIBAO's commentator's article and the "reactionary statements" and "reactionary slogans" of the Beijing University students quoted in the document of the CPC, such as: "It is time to rise up and settle general accounts with the Communist Party," "We are now living in the darkest period in Chinese history," "(Reform means) a number of devils stepping down from office and another number coming to power," "China is a country afraid of talking about democracy, it is an offense to talk about democracy," and "Down with Deng Xiaoping's arbitrariness and one-party dictatorship." It seems that these advocacies



are programmatic slogans and views, but it also appears that they are a bit excessively condensed, simplified, and centralized. For example, the advocacy of "settling general accounts" is raised because of the things, good and bad, that the CPC has done since the founding of the PRC, as the students related; the formulation of the "dark period" is based on the current party workstyle, officialism, and society's dark sides; the notion that "it is an offense to talk about democracy" is not alarmist talk, because there are indeed people who were jailed for just talking about democracy. Most intriguing is the phase of "devils" stepping down from office and coming to power. According to the teachers in Beijing University, the original remarks of the students are: "The replacement of party and government bodies is just like a number of people stepping down from the stage after their bellies are full and another batch of hungry devils going up to the stage." It is just like that, and no more. However, the remarks were altered to a serious extent.

To sum up, some people in the CPC bitterly hate the pro-democracy student movement to the very marrow of their bones. They so hate it that they wish they could find an opportunity to crack down on it so as to produce the effect of executing one as a warning to a hundred.

**QIUSHI Article Cited on Party Organ Honesty**  
*OW0308055388 Beijing Domestic Service in Mandarin 0200 GMT 3 Aug 88*

[Text] The journal QIUSHI in its third issue carries an article by Wen Jiabao. The article, entitled "Build Party Organs Into Honest, Highly Efficient, Law-Abiding, and Discipline-Observing Organs," says: Reform in our country has now entered a critical period. Many difficult yet unavoidable problems are facing us. It is a glorious yet arduous and historic task for the entire party and people throughout the country to solve such problems firmly and properly; to lose no time in promoting the establishment of a new socialist commodity economy; and to lay the foundation for development in the next century.

The article points out: What should be particularly stressed is that party organs, members, and cadres should be honest in performing their duties and oppose power abuse, dereliction of duty, blackmail, corruption, and bribery. They should strictly enforce discipline and conscientiously uphold party leadership and the authority of the country's legal system. They should uplift their spirits, improve their efficiency, and better serve reform, basic units, and the people. Party organs, members, and cadres should play exemplary roles in this regard.

**Hu Feng's Case Analyzed, Conclusions Drawn**  
*HK0308074788 Beijing RENMIN RIBAO in Chinese 26 Jul 88*

[Article by Lu Yuan (4845 0626): "Scientific Analysis and Conclusion Are Needed—New Understanding of the So-Called 'Five Knives'"]

[Text] The CPC Central Committee recently announced Comrade Hu Feng's further rehabilitation, of which the

important component among other things, is the revocation of the charge that Hu Feng referred to as five knives hanging over readers and writers: The party's five correct directives that writers should develop a communist world outlook; go among the masses of workers, peasants, and soldiers; undergo ideological remoulding; adhere to national literary and artistic forms and devote their writings to important revolutionary struggles. The announcement points out the charge is at variance with Comrade Hu Feng's original intention.

As a person involved in the same case, I have painfully regretted for a long time that his viewpoint and position on literature and art should have been misunderstood. It is this misunderstanding that evolved into a fabricated charge against Hu and his followers and gradually pushed them into an abyss. For the detail of his thought in literature and art, the literary and art circles as well as the masses of readers can refer to his comments and works, and I believe they will draw a fair and scientific conclusion through practical research and comparison. After reading the document issued by the central authorities, I would like to give my interpretation (which is not necessarily accurate) of the original intention of the "five knives" referred to by Comrade Hu Feng.

To my knowledge, since Hu Feng devoted himself to work in literary and artistic fields, he has never been opposed to writers undergoing ideological remoulding and acquiring a communist world outlook; he only upheld that a writer cannot remould his ideology and develop a correct world outlook without being engaged in literary work, just as a scientist cannot prove his hypothesis without a laboratory. Therefore he was against the a priori demand that writers should acquire a communist world outlook before they are allowed to take part in literary creation, or in other words, they are not allowed to take up writing until they have their ideology remoulded. Neither did Hu Feng object to writers going among the masses of workers, peasants, and soldiers, nor was he against writing on important revolutionary struggles; he only stressed that the society is a organic whole; he insisted that a realistic writer must develop a "subjective fighting spirit", which is a fighter's character—cherishing whoever should be loved and being hostile to whoever should be hated—and the spiritual strength therein which the writer has cultivated through sharing poverty, wishes and struggles of the masses and which is to find expression in his writing; he emphasized that a writer should offer his subject matters to "subjective and objective struggle and integration", that is, the writer should, in the process of his writing, go through and beyond the billows of life along with his characters, trying to get to the essence of life which is not available at a glance. Therefore he was vehemently opposed to the indifferent technological objective attitude toward subject matters, or the similar indifferent subjective formulaic attitude which runs counter to the principle of thinking in terms of images; he has a strong aversion to those who identify their participation in some activities and coming into possession of some subject matter with

special qualifications and rights and despise those writers who are denied the same. As for the national style, Comrade Hu Feng was not a "national nihilist" (as a contemporary writer, he took a critical attitude toward Chinese classical literature and traditional culture, neither rejecting them all, nor assimilating them unconditionally) or an advocate of wholesale Westernization (he is obviously not in favor of some Western schools). He held, nevertheless, that the national characteristics of literary works are first of all dependent on their contents, and the national characteristics of modern Chinese literary works are to a greater degree dependent upon the situation of a particular historical period they portray. In general, forms are determined by their content and particular contents require particular forms; as required by the propaganda mission of a certain period, it is allowed to "use the simple old forms for the same simple new contents", but the much more complicated contents of the realistic revolutionary literature requires corresponding new formats which are also much more complicated. In addition, he believed the aesthetic effects are related to the society's aesthetic perception while the latter is associated with the society's development. Hence, he maintained that to improve the aesthetic truthfulness in mirroring and depicting realities, we might as well or even should learn from the advanced forms available in foreign societies which are at the same or about the same stage of social development as ours. It is on the basis of this dialectical understanding that he was against taking the old formats adapted to the old contents as the source for the forms of new literature, or as an all-purpose vessel which can contain any new contents, and substituting the old forms for the new forms which writers should energetically seek while they are in pursuit of new contents.

While addressing the problems concerning literary work, Comrade Hu Feng put forward his position, rejecting the then overbearing directives which he believed could only do harm to work in the literary and artistic fields and bluntly labelling them as "five knives" over the writers, which, if not avoiding being suspected of worshipping things foreign, should have otherwise been referred to as the sword of Damocles for clarity's sake, for the term serves only to warn of impending danger and bears no ill will in itself. The "five knives", rather than implying anything else, actually referred to three important problems of principle: The ideological building on the part of writers; the realistic creation process from life to literary works; and the relationship between the national characteristic and the universal characteristics of culture. Comrade Hu Feng's views and position on these problems, unique as they seemed, are in no way strange tales and absurd arguments in literary history at home and abroad. This is because in the years after Hu Feng was deprived of the right to speak, the same or similar view and position were advanced by other writers and critics in different forms. At present, the depth and scope at which the literary and art circles are exploring these problems in a hubbub are far in excess of those in 1950's, yet the track along which our literature develops is still in

evidence and the problem of literature as a main body is receiving increasing attention from a new angle. Hu Feng's views and terminology are open to discussion and comment, but he did not direct his spearhead at the genuine Marxist theory of literature and art. This is a totally undeniable fact. At a time when the policy that "let a hundred flowers blossom and a hundred schools of thought contend" had not struck root in the hearts of the people, Hu Feng dared to make public views which he considered correct, and make comparisons with the guiding ideas which he dismissed as mistaken, so that a correct and reasonable conclusion could be reached. This showed that he had a subjective faith in and placed a great hope in a Marxist political party. This also cannot be denied.

Under abnormal circumstances however, normal and positive ideological differences and contention actually have become an incident resulting in political wrestling; a writer and a group of writers wasted a few dozens years, and what made one feel more distressed was that the wrestling finally led to cultural autocracy which reached its peak when the "gang of four" held power, under which "ten thousand horses were muted." This is a history, a history of spiritual civilization prior to the primary stage of socialism. History is composed of past events; events that appeared unlikely to happen but actually happened; events that happened as results and causes; events that makes man more intelligent by recalling them and therefore events that makes man pluck up his courage in the face of setbacks encountered in a fresh exploration. Lincoln once made famous exhortative remarks: You can fool some of the people some of the time, but you cannot fool all of the people all the of the time. That is to say, short as the life-span is and slow as the truth is in making its appearance, history provides man with wisdom, reason provides man with strength, and time, hopes. Man will, through personal practices, independent thinking, and information feedback, continually shake off the yoke woven by all kinds of fallacies including his own, other people's, and those handed down by ancestors and approach the realm of freedom day by day.

**NPC To Revise 117 Laws in Next 5 Years**  
*OW3007123888 Beijing XINHUA in English*  
1013 GMT 30 Jul 88

[Text] Beijing, July 30 (XINHUA)—China's supreme legislative body—the Seventh National People's Congress (NPC)—will be facing a Herculean task of drafting, examining and revising 117 laws in the next five years.

By comparison, the previous congress, the sixth, adopted only 37 laws and 26 decisions on revising and supplementing relevant laws during its five-year term.

The heavy law-making workload of the present NPC has put the building of China's legal system in a new stage, legal experts say.

It also reflects the ever-strengthening role of the NPC as China's supreme legislative body.

The law committee, one of the seven special NPC committees, has set out 117 laws covering economic reform, protection of the citizens' rights and freedom, social welfare, military and national defence, the reform of government institutions and civil and criminal jurisdiction.

Economic laws make up 55 of the total, nearly half.

They include laws on company, collectively-owned industrial enterprises, private enterprises, individual businesses, price control, prevention of unfair competition, protection of consumers' rights, state planning and finance, investment, banking, currency, administration of foreign exchanges, insurance, arbitration, maritime, income tax of foreign-invested enterprises, foreign trade and special economic zones.

Legal experts say the laws will help China adjust its market economy and establish a new order for the country's socialist commodity economy.

Laws for building a socialist democracy will also occupy an important position.

These include regulations on the working procedure of the NPC, on the rights and obligations of people's deputies, and on revising the election laws.

Other laws will deal with setting out the rights and freedoms of the citizens and regulating the work of the government.

Such laws include those on public meetings and demonstrations, publication, mass organizations, press law, laws on trade unions, public service, state compensation and people's police.

China's laws on education, science and technology and culture remain on the whole weak.

To change this, the NPC plans to develop laws concerning teaching, ordinary education, higher education, education in ethnic areas, as well as laws dealing with scientific and technological work, films, public health and family planning.

**NPC Forms Committee To Supervise Law Enforcement**  
*OW0208051988 Beijing XINHUA in English*  
1401 GMT 1 Aug 88

[Text] Beijing, August 1 (XINHUA)—China's top legislature, the National People's Congress, wants to know how well the country's laws are being enforced.

And so the Congress has created a special committee, the Internal and Judicial Affairs Committee or IJAC, to supervise the work of finding out.

Committee Vice Chairman Zou Yu said major attention will be placed on law enforcement abilities of the country's internal and judicial organs at all levels. Zou said the committee will conduct major inspections after general inspections have been completed by various internal and judicial bodies on their own work.

He said law enforcement inspections were conducted in 17 provinces and municipalities last year and sloppy practices were found to be a widespread problem. Some law enforcement officers were not only derelict in their duties but violated the law themselves. The committee will arrange symposiums for various agencies involved in the inspections with the hope of further institutionalizing judicial supervision.

Inspections will also be made into citizens' legal protections under the Constitution, Zou said.

Other items on the inspection list include the impartiality of law enforcement officers, crime conviction rates, and penalties handed out, openness of trials, withdrawals from trial, the legal time limit in trial procedures, and the reform of criminals through labor and reeducation.

IJAC is to be a permanent body charged with drafting, proposing, and approving bills and other legal motions concerning the Supreme People's Court, Supreme People's Procuratorate as well as the State Council's Ministries of Public Security, State Security, Justice, Supervision, Civil Affairs, Labor and Personnel.

**NPC To Push for Nationalities Legislation**  
*OW2907205188 Beijing XINHUA in English*  
1101 GMT 29 Jul 88

[Text] Beijing July 29 (XINHUA)—Coordinating and promoting legislation governing the country's ethnic groups will be top priority for the Nationalities Committee of China's National People's Congress (NPC), said Yu Wen, the committee's deputy director.

"China is a unified multi-nationality country, the prosperity of which depends on the unity and development of all ethnic groups," Yu said.

The Law on Regional Autonomy for Minority Nationalities adopted by the NPC in 1984 is one of country's basic laws, Yu explained.

As one of the seven special committees under the country's supreme legislative body, his committee will, during the next five years, continue to help promulgate laws and draw up supplementary laws and regulations in this area.



China has five autonomous regions, 30 autonomous prefectures and 113 autonomous counties, with a population accounting for 73 percent of all the country's ethnic peoples.

Since 1979, when the committee first started working out detailed regulations on regional autonomy, 32 prefectures or counties already had their own regulations and the five autonomous regions of Tibet, Xinjiang, Ningxia, Guangxi and Inner Mongolia had made a lot of preparations.

"During the next five years," Yu went on, "the NPC Nationalities Committee will actively help the five autonomous regions draw up their regulations as quickly as possible."

During this same period, Yu added, the committee will also offer assistance to all those prefectures and counties which need to draw up detailed or specific regulations.

The NPC Nationalities Committee will be involved in researching and drawing up new laws including laws protecting the equal rights of those minority peoples not living in autonomous areas, laws on the use and development of minority languages, and laws governing education in ethnic minority areas.

"The committee will also be doing more in tightening the supervision and enforcement of laws on regional autonomy," Yu said.

All government departments should work out detailed regulations on how to carry out the laws, eliminate existing decrees or regulations which run counter to the new laws, work out concrete policies to promote trade, resource development and education in autonomous regions, and train more workers with ethnic minority backgrounds.

**State Council Forms Information Network**  
HK0308065788 Beijing JINGJI RIBAO in Chinese  
23 Jul 88 p 2

[Report by Chen Zhiqiang (7115 1807 1730): "The Ministries and Commissions Under the State Council Have Initially Set Up an Information Network"]

[Text] The ministries, commissions, and organs under the State Council have initially set up a "crisscross" information network, which is playing an increasingly important role in their work. Seventy-seven percent of the State Council departments concerned have formed information organs, and units that have not done so have set up information work sections (offices). According to incomplete statistics obtained from 40 or so departments, about 1,500 personnel are engaged in information work.

Most of the departments have established a horizontal information network. They maintain close contacts with grass-roots units, and the information they obtain is accurate and prompt. Information work within these departments is undergoing systematization and standardization. These 40 or so departments have published more than 70 information journals.

Various types of computers have been installed in these ministries and commissions, and development of the computers is still under way. Statistics compiled by 33 ministries and commissions suggest that 110 databanks will be developed, 73 have already been developed. Most of the departments carry out communications through facsimile machines or microcomputers; they carry out communications with their subordinate units by speed mailing of floppy discs.

Economic forecast work has already started. Many of these departments are carrying out intensive processing of economic information and are using modern methods to make a quantitative analysis of the economy and to provide their leaders with economic reports based on scientific analysis. Quite a number of departments have set up specialized economic forecast institutions to work out economic patterns and promote short-term and long-term economic forecast work. The large amount of market forecast work carried out by various ministries and commissions on agricultural and sideline products, industrial consumer goods, and capital goods for industrial and agricultural production, has provided enterprises with important information for improving their management and operation.

The initial formation and application of the information network in the ministries, commissions, and organs under the State Council have pushed forward scientific decisionmaking; improved work efficiency in government departments; provided certain information guidance for enterprises' production and management; and played an immeasurable role in changing the functions of government departments.

**State Council Warns Against 'Extravagance'**  
OW0208002588 Beijing XINHUA in English  
1411 GMT 1 Aug 88

[Text] Beijing, August 1 (XINHUA)—The number of news conferences and commemorative activities held by local governments, governmental departments and enterprises must be cut back.

A circular issued by the State Council described a recent spate of news conferences and commemorative activities held in Beijing by local governments as a tendency toward extravagance since dinners are given and gifts are presented on these occasions for the purpose of establishing "guanxi"—relationships of mutual favor-giving.

"This goes against the central government's demand that officials be honest in performing official duties, and is undermining the relations between the people and governments of various levels," the circular said.

Therefore the State Council demands:

—Without the approval of the State Council local governments cannot hold news conferences and commemorative activities in Beijing.

—Local governments should work out specific regulations to curtail the lavishness of such activities.

—Departments under the State Council may not hold commemorative activities. News conferences should concentrate on issues of major concern.

—Necessary local news conferences and commemorative activities must stick to the principle of thrift. Dinner parties and gifts must not be given on such occasions.

**State Council Commends Huang-Huai-Hai Developers**  
OW0108124888 Beijing XINHUA Domestic Service  
in Chinese 1403 GMT 27 Jul 88

[Excerpt] Beidaihe, 27 Jul (XINHUA)—State Council Decision on Commending Scientists and Technicians Participating in Experiments of Agricultural Development on the Huang-Huai-Hai [Huang He, Huai He, and Huai He] Plain

(27 July 1988) Pilot projects for comprehensive agricultural development on the Huang-Huai-Hai Plain began in the 1960's. At one time or another, relevant scientific research units of the state and institutes and colleges under some ministries have sent large numbers of scientists and technicians to take part in the development and construction in experimental zones. Guided and supported by the local governments, they and the local people, scientists, and technicians have integrated theories with practice and, after years of persistent efforts and trials, successfully found ways to control drought and waterlogging and transform sandy and alkaline soil, thus contributing to the development and control of the Huang-Huai-Hai Plain.

To further arouse the enthusiasm of scientists and technicians to take part in comprehensive agricultural development on the plain, encourage more scientists and technicians to work on the agricultural front, expedite scientific and technological progress, and promote agricultural development, the State Council has decided to commend those scientists and technicians who have achieved remarkable successes in experimenting agricultural development on the Huang-Huai-Hai Plain. [passage omitted on the list of award recipients]

**Courts Urged To 'Crack Down' on Violent Crime**  
HK3007024588 Beijing CHINA DAILY in English  
30 Jul 88 p 1

[By staff reporter Duan Bayi]

[Text] China's courts are being urged to crack down severely on the increasing number of serious and violent crimes throughout the country in order to facilitate the country's reforms.

Addressing a national judicial conference, which closed in Beijing on Thursday, Ren Jianxin, President of the Supreme People's Court, said serious offences including murder, robbery, larceny and rape increased by 36.4 percent in the first half of this year over the same period last year. Cases of larceny involving more than 10,000 yuan (\$2,700) increased by 77.6 percent.

Violence involving robberies of banks, shops, taxis and long-distance buses also increased, Ren said.

He said courts at all levels must crack down severely on criminals who seriously disturb order, especially on habitual offenders and abettors.

Although the number of cases of economic crimes reported to the courts was down, major crimes involving large sums of money rose in the January-June period, Ren said.

These crimes included embezzlement, bribery, profiteering, swindling, speculation, smuggling of gold and antiques, and tax evasion. All of these could seriously disrupt the country's economic order, he said.

He urged the courts to focus their attention on crimes that can seriously disturb social order and cause strong public discontent.

At the conference it was decided that courts will be allowed to try economic disputes according to local laws and regulations, Ren said. But these laws and regulations must never go against those of the State.

Last year, courts at all levels handled more than 9 million charges and appeals from citizens and legal entities.

Ren also said judicial procedures involving China's maritime affairs have made great progress in the past four years.

Six maritime affairs courts throughout the country have dealt with more than 1,000 cases, with a big proportion of them concerning foreign parties from more than 20 countries in Asia, Europe, Africa and South and North America.

These cases included 13 ones [as published] in which both parties were foreign. One case involved two parties from foreign countries which have no diplomatic relations with China, Ren said.

He said more efforts will be made to strengthen maritime affairs trials in order to guarantee the legal rights of both Chinese and foreign parties.

China also will establish a comprehensive system for judges to cover employment, examinations, promotions, training, discipline and awards, he said.

**Top Judge Rules Local Legislation Valid**

OW3007005988 Beijing XINHUA Domestic Service  
in Chinese 1416 GMT 28 Jul 88

[By reporters Zhou Lixian and Zhou Changxin]

[Text] Beijing, 28 Jul (XINHUA)—Local legislation and some administrative regulations and provisions may be used as the legal basis for trying economic dispute cases. This new ruling was put forward by Ren Jianxin, president of the Supreme People's Court, at the National Conference on Court Work, which closed today.

Ren Jianxin explained: This judicial ruling is made under a special situation during the transition period in which we are strengthening reform, opening the country wider to outside world, and gradually establishing a new order of socialist commodity economy.

It is reported that the ruling is primarily based on the several decisions made recently by the NPC Standing Committee for enhancing the power of local legislation and administrative regulations and provisions, and based on the stipulations of the "Organic Law of the Local People's Congresses and Local People's Governments at Various levels."

Ren Jianxin pointed out: Local legislation and administrative regulations and provisions must not contravene state laws and regulations. The court has the power not to use them if they do contravene state laws and regulations.

**Cooperative Law Firms Developed on Trial Basis**

OW0108140688 Beijing XINHUA in English  
0755 GMT 1 Aug 88

[Text] Beijing, August 1 (XINHUA)—China is developing various kinds of cooperative lawyer firms for its nearly 30,000 lawyers.

In an interview with XINHUA, Minister of Justice Cai Cheng said that under the new system, lawyers can work for either the state, collectively-run firms or private law firms.

The approach is being tried out throughout the country on a trial basis, the minister said, adding that 13 cooperative firms and one private firm have been approved to start business.

Meanwhile, legal offices are adopting responsibility management systems and are beginning to advertise services as well as distribute wages according to work efficiency.

Cooperative lawyer firms are collectively run and free of state funding. As independent accounting units, they assume sole responsibility for their profits and losses and can make their own business decisions themselves.

Yet, the new cooperative system has been met with mixed feelings among lawyers.

In economically advanced regions, young and well-known lawyers appreciate it while in some poor areas, older and more conservative lawyers are hesitant, fearing the consequences from losing the guarantees of the iron rice bowl.

But Cai said such concerns and hesitations are unnecessary since lawyers working in cooperative firms enjoy the same rights as those working in state-run firms.

The minister said the reforms will be carried out on a larger scale nationwide starting next year.

China's lawyer system was established in 1955 and within three years there were about 3,000 lawyers working in 800 lawyer offices.

But in 1957, quite a few of China's lawyers were criticized as "rightists" and the lawyer system was abolished.

It was reestablished in 1979. Last year there were 30,000 lawyers working in 3,300 offices.

**Yang Rudai on Initial Stage of Socialism**

HK0108052588 Beijing GUANGMING RIBAO  
in Chinese 18 Jul 88 p 3

[Article contributed by CPC Sichuan Provincial Committee: "Yang Rudai Speaks on Studies About the Theory of the Initial Stage of Socialism"—first paragraph is "GUANGMING RIBAO" introduction]

[Text] On 20 April, Comrades Zheng Bijian and Jia Chunfeng of the Liaison Group on the Theory of the Initial Stage of Socialism invited Comrade Yang Rudai, Secretary of the Sichuan Provincial CPC Committee, to give a speech on studies and research about the theory of the "initial stage." The excerpts of Comrade Yang Rudai's speech are given as follows:



The Liaison Group on Studies About the Theory of the "Initial Stage" has taken Sichuan as an area in which to start research on the theory of the initial stage of socialism. We delight in getting involved in work in this respect.

The submission of the theory of the initial stage of socialism was an important theoretical product of the 13th National Party Congress. In the past, there was endless controversy about what was called "leftist" or "rightist", about what was the basis for reform and openness, and about it being "bourgeois" or "socialist" in nature. It was not easy to make things clear. The submission of the theory of the initial stage has helped in making all these problems clear. It has played a substantial role in unifying the whole party's thinking. This is a significant result of seeking truth from facts, proceeding from China's reality and seeking a renewed understanding of socialism. It is also a new starting point for obtaining a renewed understanding of socialism. Since the 3d Plenary Session of the 11th CPC Central Committee, our understanding of this problem has gradually deepened, and has generally undergone these several stages:

The first stage is the discussion of the criterion of truth. This discussion was conducted on a relatively solid basis in Sichuan. Through discussions, stimulation was given to emancipating the minds of cadres, up and down. They dared to seek truth from facts and to proceed from reality. For example, the rural reform in our province first started with the Jinyu town of Guanghan County. It was soon found that the people there had committed themselves to contracts on a group basis, stimulating the development of productivity. We then introduced the practice over a wider area. The people's commune system had failed to meet the demands of the rural reform. The Shangyang Commune was the first to remove the signboard of the commune. This was a great breakthrough in a renewed understanding of how to promote socialism in the countryside. Then there was the matter of increasing the power of enterprises. An experiment was first conducted. With experiences obtained, the practice was widely introduced. Without the discussion of the criterion of truth, we would not have shown such courage and would not have brought about these major reforms.

The second stage involves giving wide publicity to socialism with Chinese features in urban and rural areas throughout the province following the 12th National Party Congress. This task was taken up by the Propaganda Department in a concrete way. Discussions were started among cadres from top to bottom. A publicity campaign was launched among the masses. The problem of the masses of cadres and people being inadequately prepared ideologically for building socialism with Chinese features was solved. This was a major step forward in the masses' renewed understanding of socialism.

The third stage involves the development of a planned commodity economy on the basis of public ownership, as put forward with attention centering on the 3d Plenary Session of the 12th CPC Central Committee. Publicity or education about the socialist commodity economy was widely carried out in urban and rural areas. This task lasted for more than 3 years. Such education was further deepened, with the deepening of the reform.

Generally speaking, theory studies and education for cadres in our province before the 13th National Party Congress had gone through the above three stages. Since the 13th National Party Congress, attention has been focused on studying and preaching the theory of the initial stage.

In conducting education on the commodity economy, we, with the problems of ideological awareness reported among the cadres and the masses in mind, laid the emphasis on guiding them to directly understand and handle the relations between the building of socialism and the development of the commodity economy; the relations between the development of the commodity economy and ideals and aims, moral education, ideological and political work, the building of spiritual civilization, the party's self-buildup, the building of a legal system, and cultural construction. These are major relations that must be straightened out in the initial stage.

Given a commodity economy, how to conduct education among party members, how to give full play to the exemplary vanguard role of party members, and how to give expression to the goal of wholeheartedly serving the people—this is a major theme confronting us under a new situation. During the period of revolution, the emphasis on the vanguard exemplary role of party members found concrete expression as leading the masses in overthrowing the "three big mountains." Now they are meant to lead the way in developing the commodity economy, in promoting reform and openness and in handling the building of socialist spiritual civilization properly. To stress the commodity economy is to handle the relationship between party spirit, the party style, and party discipline and the proper building of the commodity economy. At the present stage, we must develop the commodity economy and energetically lead the masses toward common prosperity. This gives concrete expression to the realization of the aim of serving the people.

Party style and commodity prices are two subjects most frequently talked about by everyone. There is no consensus on these two major issues. How should we find a solution? How should we build the party style? We have made many studies and come to understand that the building of the party style and discipline inspection work must serve the party's fundamental line. We must foster three concepts. The first concept calls for treating the development of productivity as a fundamental criterion in assessing efforts in building the party style and carrying out discipline inspection work. The second concept is that of serving reform and openness. The third concept



involves the policy about the initial stage of socialism (which means understanding clearly the principle of party spirit and the principle of policy at the present stage). Some problems appearing in regard to the party style are not the natural results of the development of the commodity economy. On the contrary, they are directly related to our low-level productivity being low and an undeveloped commodity economy. The reason is that we have not acted according to the law of value. This, combined with our superstructure not being compatible, the legal system not being sound, and management not catching up, has produced loopholes. For example, a dual system is now being practiced. There exists two different markets and two different sets of prices, with great price differences and many loopholes involved. This gives rise to many unhealthy practices. As far as pork is concerned, there was a big strain on the supply situation some time before the Spring Festival. In normal times, Chengdu city sold 3,000 pigs a month. In that given period of time, 3,500 head were slaughtered. But residents still often found pork unavailable. The supply had disappeared through many abnormal channels. Market prices were also marked up. The result was that no less money was lost and no less scolding was experienced. Production was also repressed. The low procurement price for live pigs had dampened peasant enthusiasm for raising them. After the Spring Festival, we liberalized the pork price and provided town and township workers with subsidies, switching from hidden to open subsidies. As a result, less money was lost and less scolding was experienced. Peasant enthusiasm for raising pigs also soared, stimulating the development of production and bringing about a change in the operating style of commercial departments. Unhealthy practices in this respect also declined. This made many of our comrades realize that through reform and the establishment of systems, we could really reduce those factors causing unhealthy practices.

On the whole, given more than 3 years of education about the commodity economy, the concept of the commodity economy on the part of the cadres and the masses has been strengthened. Some achievements have been scored in further understanding socialism.

After the 13th National Party Congress, we paid great attention to the study of the theory of the initial stage and put emphasis on further emancipating the mind. We also took the development of productivity as a fundamental criterion in considering the starting point for all problems and testing all work. We used these two "fundamentals" in analyzing and understanding new conditions and new problems appearing in practice. Anything that restrained the development of productivity was subjected to reform and eliminated with courage. Anything that helped the development of productivity was boldly put into practice and given resolute support.

Now the further emancipation of the mind means that with the realities of Sichuan in mind, we must give education to the masses of party members and cadres,

and strengthen their ideas in three respects. Focusing on the reform of the economic system, we must conduct education in the socialist commodity economy to strengthen the sense of the commodity economy. Focusing on the reform of the political system, we must conduct education in socialist democratic politics to strengthen the sense of democracy. Focusing on openness, we must conduct education calling for the elimination of the idea of "a stronghold" to strengthen the sense of openness. On the whole, our province's degree of openness is not carried far enough. It has liberalized something on the domestic front. But it has far from done enough in opening up to foreign countries. As far as the actual conditions of Sichuan are concerned, due to historical, natural, and social factors, this large basin of ours was for a long period marked with a natural economy and a product economy. This, coupled with the influence of "leftist" ideas, made for a "basin sense" of being insulated, self-sufficient, and self-satisfied. This hinders the thinking of our cadres and masses. The matter of carrying out reforms and opening up has suffered. So has the development of the commodity economy. Experience shows that it does not work if the people of Sichuan do not break out of the confines of a basin in viewing and pondering problems.

If we compare the economy of Sichuan with what it was before, the average increase in its share of the gross national product, total industrial and agricultural output value, and revenue in the past 5 years cannot be considered low. But it is low on a per-capita basis. If a comparison is made with coastal provinces and cities, the gap is still bigger. It is still a budget that feeds on "the big rice pot." In the face of this situation, if we do not further emancipate the mind and do not carry reform and openness further, this backward situation cannot be changed. It is relatively difficult for our province to get involved in international exchanges, as coastal areas do. But there is great potential in promoting export products with local features, with the international market in mind. Much can also be achieved if coastal areas are used as a window in promoting integration or cooperation. A problem of ideological awareness here must be solved. There must be no fear about being the loser. In getting involved with integration, we must not be obsessed with how much others gain. We must chiefly see whether we also have something to gain. So long as it is something that contributes toward the development of our productivity and the development of the commodity economy, we must go ahead boldly.

Such a base as agriculture cannot be weakened in the least. Sichuan has many people and little land. Per-unit output is not low. According to a relevant investigation by the Chinese Academy of Sciences, per-unit output of main crops of Guanghan County has reached the advanced world level. We have to count on development in breadth and in depth, if we are to bring agriculture to a new stage. Sichuan's agriculture, no matter what the argument, has to do with the problem of policy and the problem of input. Also involved is the problem of

science and technology. The main thing to do is to act according to the law of value. What should be liberalized should be liberalized. Of course, full compliance with the law of value in doing things involves a process. In developing agriculture, everyone hopes to increase the input. But where does the input come from? The state has limited financial resources. It will not do to fully rely on the state. It will also not do to rely upon the province. We must rely on peasants to be enthusiastic on their own and on various channels to raise funds. Now efforts are being made to establish various kinds of development funds and cooperation funds. We must perfect the rural dual-management responsibility system, sort out scattered rural accumulations of the past, and establish cooperation funds. Such accumulations are to be devoted to promoting liberalized projects, and to be used with proper compensation. Also, we must establish town-level budgets. Some insignificant taxes (such as butchery taxes) may be collected by towns, with a given fixed base. Any excess tax income is to be shared. With things handled this way for a few years, the lower levels will have some money and become active. Only in this way can we stabilize and strengthen such a base as agriculture. Without having developed agriculture, we cannot get other things going.

Cadres at various levels in our province study theory systematically "with concentration in a small way." For members of the standing committee of the provincial committee, lectures are given, with specialists and scholars in theory circles invited over, or study programs are arranged "with concentration in a small way," with relevant students excused from normal production work. Studies are carried out "with concentration in a small way" once a year, for two weeks. For office and bureau directors at the provincial level and leading party and government cadres at prefectural, city, autonomous prefecture and county levels, study classes are run every year, with the students allowed to stay away from their production job to concentrate on study. Another way is to have leadership cadres, theory workers and practicing workers get together for a theory discussion meeting, with problems encountered in actual work raised for discussion from the high plane of theory. Results of studies are allowed to be grasped by everyone through the conduct of education on theory for cadres. Theory is used to guide practice and guide reform, stimulating various fields of endeavor. Beginning from the time before the 13th National Party Congress, the Provincial Party Committee has invited some comrades in theory circles to call two forums on the theory of the initial stage of socialism. This practice must form into a system in the future. Such a forum is to be generally held every quarter of the year.

Our renewed understanding of socialism is still in its initial stage. In the next stage, we are prepared to let the Propaganda Department take the lead in organizing the comrades of the Party School of the Provincial Party Committee, the Academy of Social Sciences, the Association for Social Sciences [as published], and institutes,

colleges, and other departments to do research on the theory of the initial stage of socialism and carry out penetrating studies covering political, economic, cultural, party building, united front, nationalities, and other fields, with attention to priorities. We have arranged a number of subjects for research. On the basis of doing research separately, we are ready to call a provincial theory symposium in October in preparation for the national theory symposium to be held in December. It is hoped that the Central Liaison Group will keep in constant touch with us, strengthening the guidance for our province' theory work.

#### **Communications Minister on Structural Reform**

*OW3007003888 Beijing Television Service  
in Mandarin 1000 GMT 23 Jul 88*

[Text] Approved by the State Council, the Ministry of Communications will make structural reform to strengthen overall control and improve management of navigational matters.

In Beijing on 23 July, Minister of Communications Qian Yongchang said: Under the principle of separating the government from the enterprises and the government from the various undertakings, the functions of enterprises and various undertakings and the day-to-day production task and work in the current structural reform will be transferred and delegated separately to units at the lower level so the ministry can concentrate its efforts on readjustment. In addition, it is necessary to strengthen overall readjustment and control and management of navigational matters and improve overall planning, supervision and service. In accordance with the structural reform plan, the administrative departments and bureaus of the Ministry of Communications will be reduced from 21 to 13. The staff will be cut from 865 to 680 people. Transport, machinery, industry, scientific research and other units which the ministry takes charge of will be readjusted, and they will be under the charge of units at the lower level. The units directly under the ministry will be reduced from 111 to 46.

Qian Yongchang said: According to the new reform plan, the Ministry of Communications will readjust and merge the existing enterprises and undertakings, establish the China Highway Construction Corporation, China Gulf Construction Corporation, China Shipping Center, and other economic entities. In addition, the ministry will annex the Highway Vehicle Machinery Corporation, the Maritime Court, and technical secondary schools into departments concerned or authorize provinces, municipalities, and autonomous regions to take charge of them. After reform, the Ministry of Communications will become the State Council's functional department, which exercises organizational leadership and is in charge of overall readjustment and control over the country's waterway and highway traffic and manages navigational matters.



**Mainland Mass Media Discussed Problems**

HK0308055988 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0942 GMT 28 Jul 88

[Article by Fan Fu (0416 1133): "Problems of the Mainland Mass Media"]

[Text] Hong Kong, 28 Jul (ZHONGGUO TONGXUN SHE)—On the Chinese mainland, under the battering of the commodity economy, in recent years some news people have been engulfed in a whirlpool of right and wrong, thus becoming targets of criticism by the community. The fact that a well-known GUANGMING RIBAO reporter was chained and thrown into prison a few days ago for graft, involving a huge sum of money, is a case in point.

The state has always monopolized press business on the mainland, it is regarded as the mouthpiece of the party, giving little regard to whether it is operated at a profit or a loss. However, it was widely rumored not long ago that departments concerned had transmitted a circular to lower levels that "crown provisions" for news organizations as well as newspapers and magazines would be gradually abolished and they were supposed to assume full responsibility for their own profit and loss. If this is the case, the news media which is low priced and suffers considerable operation losses will be in a predicament. Consequently, all news organizations have been employing every clever strategy and trying every possible means to open up new business avenues. Some of them have suggested running newspapers and doing business simultaneously; others proposed units at all levels work out their own economic targets and locally run news organizations assume full responsibility for their own profit and loss; and still others went so far as to sell press cards, carried "ad articles" in a big way, and increased advertising rates by a wide margin. Some mass media have forgotten their integrity under the temptation of personal gains and concentrated on grabbing money to the neglect of whether the ads they carried were overstated and misleading. As a consequence, the economic status of newspapers have been raised but their social benefit lowered. This is one of the problems plaguing the mainland's mass media.

The other problem is that because news people receive low and meager salaries and moreover, prices are soaring, taking advantage of this loophole, corrupt practices have made inroads into press circles. The corrupt bribe-taking practices which were subjected to criticism in the past have unexpectedly occurred with the "emperor without a crown." After the scandal of the ZHONGGUO GUANGGAO XINXI BAO (CHINA ADVERTISING INFORMATION NEWS) northwest office of reporters was made public last year, not only have similar cases not disappeared but on the contrary, they are on the increase. At the "Seventh National People's Congress," some delegates openly accused reporters of canvassing ad orders everywhere and asking for rakes-offs. Recently, a Hong Kong monthly magazine carried

an article exposing that by using the power it holds, the news department of the Beijing Central Television Station undisguisedly resorted to bribery, asserting that coverage would be given only to those who "paid tributes." With their laurel having turned pale and elegance being swept to dust, the image of China's mass media has been seriously tarnished.

The CPC has the daring to solve problems unencumbered by minor details and to press forward with indomitable will in reforming the economic structure. It has noticeably quickened the pace of political structural reform in recent years; only in press reform has it danced "a slow waltz" in the last few years. There has been no way so far to promulgate the "Press Law" which has been given wide publicity for many years. Up to this day, more than 20 million private enterprises have sprung up on the mainland but not a single really locally run newspaper has ever emerged. If this situation characterized by economic relaxation and political tightening is not changed, it will be difficult to solve the mass media's problems and to put an end to the confusion.

**'Commentary' Explores National Press Coverage**

HK0108073588 Beijing ZHONGGUO JIZHE  
in Chinese No 7, 15 Jul 88 p 1

["Monthly Commentary" by Hua Ding (5478 0002):  
"The Overall Situation; The Keynote; Transparency"]

[Text] To do good press coverage, it is necessary to have a good grasp of the overall situation.

What is the overall situation in our country at present?

Under the guidance of the general principle and policy of reform and opening up to the outside world, our country has made universally acknowledged, tremendous achievements of historic significance: The national economy has developed in a sustained and steady way. Compared with 1978, before the 3d Plenary Session of the 11th CPC Central Committee, the gross national product, state financial revenues, and the average income of urban and rural residents have increased roughly 100 percent and the majority of people throughout the country lead a life in which they have no more problems with food or clothing. The economic structural reform has been conducted from rural to urban areas in an overall manner, and is now developing in depth; the political structural reform has been started; the reform of government organizations is being carried out in a step-by-step way; the building of socialist democracy and legal systems has been developed gradually; and reforms in such fields as science and technology, education, and culture have also been increasingly in full swing.

Meanwhile, we should also notice that we are still confronted with many contradictions and problems. These are mainly difficult problems that need solutions in the reform of price, wage, and labor systems and

which involve a wide range of endeavors. These problems are difficult to solve and will take time. Therefore, they have become barriers in the way of our advancement.

The present overall situation has determined that the keynote of our press coverage should be a soaring and resounding note, a note that helps build the people's confidence and inspires them to remove the barriers and clear the way to forge ahead with one heart and one mind. This keynote should have the following resounding notes:

One is "to achieve the four modernizations and rejuvenate China." This is the objective of endeavor of the people of our country at the present stage. With this common objective, we will have a spiritual prop, a cohesive force, and a sense of historical mission—of being the masters of the country and of time and urgency.

The other is to have a correct understanding of the situation. In the past decade since the 3d Plenary Session of the 11th CPC Central Committee, reform has moved forward, the economy developed, and the people's standards of living improved. Reform has revitalized the country and brought substantial benefits to the great majority of the people. This is a well-known fact. We are confronted with some difficulties in our advance. The party and government are taking measures to overcome them in a step-by-step way. Only by comparing can we distinguish. A realistic analysis of the current situation, a comparison of the past with the present, and a look forward to the future, will inspire the people to forge ahead with determination and confidence.

The third note is stability and unity. To carry out reform in a large, economically and culturally backward socialist country, with a population of 1 billion people like ours, we have no precedence to follow and, therefore, we have to advance while exploring. As such, we particularly need a stable social and political environment. Without stability and unity, construction and reform are out of the question. Everyone has the responsibility to cherish and safeguard and not harm or sabotage stability and unity. To maintain social stability and unity, it is necessary to uphold the authority of the party and government. Explaining this point clearly will help the entire people of the country to willingly create a sound environment for deepening reform.

Some people may ask: "Then, does this contradict the notion that a high degree of transparency should be promoted in press coverage?" Our reply is that they are not contradictory.

The political report of the 13th CPC National Congress points out: "Let the people know about important events and discuss important issues." This is a principle governing the ideological and political work in the new period and press reform as well. When it comes to press coverage, "letting the people know" means making press coverage more transparent.

Recently the prices of meat, eggs, vegetables, and sugar have been successively readjusted in cities and towns throughout the country, thus turning covert employee subsidies into overt subsidies. Before the price readjustments were put into effect, departments concerned in localities conducted publicity work to explain the measures adopted to the masses of the people, thus increasing the transparency of the work. The media also openly explained and reported the entire reform measures, their cause and effect, to the masses with the aim of making the work more transparent. Practice has proved that this way of doing things has produced better results than the past practice of "keeping the lid on" did. The broad masses are reasonable. When they understand the principles and policies of the party and government and find out the origin and development of the issue, most can make allowances for the state's difficulties, experience and observe the great pains taken by the party and government, and express their understanding of and support for the reform.

Reform has entered a critical stage. Major reforms in the price, wage, and labor systems are very complicated and risky systems-engineering undertakings. True, to carry out the reforms in an active way and on an even keel, we should rely on the correct principles, policies, measures, and arrangements of the party and government, but at the same time, we should also rely on the understanding and support of the masses. In this way we can work together with them with one heart and one mind to pass through the ordeal of such reforms. This being the case, the activities of leading bodies should be made public through the press media and the functions of different forms of consultations and dialogues brought into play so as to let the people know about and have an understanding of important events.

Increasing the transparency of press coverage and the so-called reporting of any news found or "revealing everything" are two entirely different things. "Transparency" does not mean "not having a limit." Being transparent should have a "limit." Where does the "limit" lie? It lies in whether the increased transparency of press coverage is or is not conducive to reform, opening up, and the four modernizations, the fundamental interests of the people, and to the understanding and trust between the party and government on the one hand and the people on the other.

Other people may ask: "Are critical press reports still needed?" Our reply is affirmative.

The political report to the party's 13th National Congress points out: It is necessary to give scope to the supervisory role of public opinion. Supervision through public opinion is an important aspect of the supervisory system which our country has been building and perfecting. Openly criticizing unhealthy trends, bureaucratic practices, and other corrupt phenomena through press

coverage shows that the party and government are powerful and self-confident. It can only heighten rather than discredit the authority of the party and government and promote rather than hinder the development of reform.

The problem lies not in whether critical press reports are needed but in how correctly the weapon of criticism is used and how the best social effect is achieved.

"When the place is far beyond the mountains and rivers, one should think there is no path but the shady willows and bright flowers bring him to another village." Although there are still dangerous paths and waves lying in the way of our advance, so long as the people all over the country make concerted efforts and press forward in the face of difficulties, we can surely stride over "the mountains and rivers" and enter the delightful region where "shady willows and bright flowers" can be found everywhere.

History will finally prove that victory will belong to the great Chinese people who have surmounted numerous dangers and hazards under the leadership of the CPC.

**Meeting of Academics Discusses Press Freedom**  
HK2907153188 Hong Kong TA KUNG PAO  
in Chinese 29 Jul 88 p 2

["Special dispatch": "Mainland Scholars Talk Freely About Freedom of the Press"]

[Text] Shenzhen, 28 Jul—Early this month, "SHEKOU TONGXUN BAO [SHEKOU BULLETIN]" held an informal discussion meeting in Beijing. A number of famous experts and scholars from Beijing's theoretical, press, and cultural circles attended the meeting and made impromptu speeches on the question of practicing democratic politics in China. Excerpts of the main contents of the newspaper's exclusive report are as follows:

**Let Newspapers Have a Free Hand To Conduct Bold Exploration [subhead]**

Hu Jiwei: The question of what a newspaper should or should not publish should be left to the editor in chief to decide. I think if our leaders appoint an editor in chief who cannot decide what should or should not be published, what is the use of appointing the editor in chief? Since we have appointed him, we should let him have a free hand to boldly explore and experiment. In the course of exploration and experimentation, SHEKOU TONGXUN BAO has not abused its decisionmaking power. It has done a good job and has exercised great influence. Particular in 1985 it ran a letter criticizing Comrade Yuan Geng, for which it was awarded the nation's special prize for good news reporting. The newspaper dared to criticize the secretary of the party committee, which was at the same level as the newspaper unit; the criticism not only pleased but was also fully supported by the secretary of the party committee at the

same level. We cannot say that this was a minor written attack because it made good suggestions and reasoned things out. It decidedly helped a lot. I think Shekou should become a genuine experimental ground for democracy. By boldly conducting experiments, SHEKOU TONGXUN BAO is like a young man on the press front rushing ahead of us. It has genuinely become a newspaper well received by the people.

**The People Have the Right To Know [subhead]**

Tan Wenrui: In July 1986 RENMIN RIBAO raised the question of press reform. At that time we thought that, since we are carrying out overall reform, we should not leave out the press. I read an article addressed to the readers and carried by RENMIN RIBAO in 1956, when Hu Jiwei was working there. When I read it, I was quite ashamed, because what was said the year before last still fell far short of the formulation put forward in 1956. The greatest defect of RENMIN RIBAO is that instead of many voices, it has only one voice. The idea at that time was that there should be many voices and that it was not always necessary to submit critical articles to the proper authorities for examination and approval. Now that we are conducting overall reform, the objective of the press reform should at least not be lower than the slogan at that time.

Wang Ruoshui: In truth, it is bureaucratism, corruption, degeneration, and an unhealthy party work style that most affect stability, unity, and work. However, can we rely solely on the discipline inspection committees to solve this problem? Can we rely solely on the party to rectify itself? No. We should rely on democracy. On the one hand, the party should lead the people; on the other hand, it should accept the people's supervision. What should we rely on for supervision? First, we should rely on people's congresses and, second, we on newspapers. Both are very important. Since supervision is needed, the people have the right to know. This makes it necessary to have freedom of the press. Only when the masses of the people have the right to know can they exercise supervision. Therefore, I think newspapers should dare to report scandals. On this count, I think SHEKOU TONGXUN BAO has done very well. It is only that there have been so few scandals in Shekou that it cannot report them. Reporting scandals does not mean vilifying socialism or the party. By reporting scandals we precisely want to reduce them and to wash our faces rather than to blacken them. A person engaging in corruption and degeneration and acting recklessly feels at ease at present. If we have freedom of the press, he will be very afraid. Therefore, this is a very good weapon. We should not discard it.

**Commodity Economy Needs Democratic Politics [subhead]**

Li Rui: Commodity economy naturally needs democracy because without genuine democracy and freedom it would be difficult to develop commodity economy. Our



country has always marched in the style of the yangko [a dance in which sideways steps delay forward movement], a popular rural folk dance. Commodity economy is integrated with democracy and freedom. Ours is a socialist country but we pay much attention to the state instead of the society. Some people think that it is better to have one voice and one idea. But socialism is inseparable from democracy and freedom. The "Manifesto of the Communist Party" talks about freedom and the slogans of "On Coalition Government" were about democracy and freedom.

Yu Guangyuan: Is there nonbourgeois democracy in the democracy of capitalist society? If there is no nonbourgeois democracy, hasn't the struggle waged by the laboring people in capitalist society since the founding of Marxism come to nothing? The working class has waged a lot of struggle for democracy. Saying that there is only bourgeois democracy and not proletarian democracy in capitalist society is tantamount to extreme disrespect for our forefathers. We should not say that the steamed bread we ate in the past did not count and that only the steamed bread we have eaten since the revolution can fill the people's stomachs. Many things in capitalist society do not have class attributes. They also have the attributes of a social system, such as cultural accumulation. Commodity economy is culture. Naturally, it is also an economic relationship. In the 1980's, the "great unity" characterized by each looking after his own traveling bag is precisely a manifestation of a lack of culture.

Democratic centralism was discussed a few years ago, but it cannot stand analysis. What Marx and Engels talked about was not both democracy and centralism. Marx talked about the concentration of democracy and Lenin talked about the practice of democratic centralism in the party. I think we cannot practice democratic centralism in mass organizations. For example, what is the use of practicing so much centralism in women's federations?

Today, I still favor debate. If there is debate, newspapers and magazines will be interesting. I feel somewhat lonely because nobody argues with me now. Here I would like to quote Engels' original words. Engels suggested that Karl Kautsky publish the "Critique of the Gotha Program," but this displeased Wilhelm Liebknecht, who gave Kautsky a warning. Engels was angry about this. In a letter to August Bebel he wrote: Your German party should not practice the Prussian style of work or use Otto Bismarck's attitude toward Marxists in your treatment of us. When I, Engels, want to air my views, nobody from any party can forbid me. The party needs socialist science, which cannot exist without freedom. It is the party's greatest misfortune if the party and scientific socialism are not coordinated even if in the slightest degree.

Tong Dalin: I suggest studying Hong Kong. Hong Kong is a pattern worth studying. If, following the recovery of Hong Kong in 1997, Hong Kong's international, shipping, and financial status drops and if we cannot make a

success of the existing Hong Kong system, who will still believe in our opening up to the outside world? We have a ready-made Hong Kong to influence the opening up of the whole country but we have never put it in its proper place. Shekou is run by the China Merchants Steam Navigation Company Ltd., whose headquarters is in Hong Kong. To speak the truth, we rely on Hong Kong to run Shekou. Shekou should become a fulcrum of Hong Kong. We should not think that it can be run more satisfactorily and wonderfully than Hong Kong. We should help Hong Kong in a down-to-earth way and make it more prosperous. If Hong Kong can be run well, it can bring along Shenzhen, Guangdong, and Shekou. It can bring along a large area. This will be of strategic significance to the reform in the country.

#### Create an Environment of Academic Freedom [subhead]

It is necessary for Shekou to create an environment of academic freedom. If a newspaper wants to make explorations, it should explore this. You do not necessarily restrict your publication to what is being discussed in Shekou. You can also carry something about academic freedom in the country and in the world. Shekou is a small place but newspapers can play a big role.

To have academic freedom, you can start with us. You can clarify our different views. I just recently returned from Switzerland. What do the Swiss believe in? "Only by acknowledging and respecting differences can we coexist and conduct friendly cooperation." We can start from academic freedom. I have read reports about the debates among young people in Shekou. They are quite significant. We should let different schools of thought contend. I hope that there will be more academic freedom in Shekou newspapers.

#### Writer Urges Reform of Royalty System

OW0108044688 Beijing XINHUA in English  
0153 GMT 1 Aug 88

[Text] Beijing, August 1 (XINHUA)—Feng Jichai, one of China's most popular writers, has suggested reforming the country's royalties policies.

In an article in today's "PEOPLE'S DAILY," Feng said, "China's existing royalty system is not flexible and does not provide enough incentive for people to write."

Feng also said, "a writer's royalties should be decided by the market and the quality of the work, and not be paid according to a fixed standard."

Authors should negotiate payment directly with the publishing house, Feng went on, and publishers should have the right to decide what will be published based on reader demand.

If bargaining fails in one publishing house, Feng explained, writers should have the freedom to negotiate with other publishers.

"Actors or actresses can now negotiate for payment, so writers should have the same privilege," Feng said, adding more flexible policies will encourage competition among writers and publishing houses.

Under a planned economy, writers receive a fixed rate of payment regardless of the quality or length of a text, Feng said, so some writers have had to stop writing and turn to business.

**Zhao Ziyang Views Property Transfer Rights Issue**  
*HK3007013788 Chengdu Sichuan Provincial Service  
in Mandarin 2200 GMT 29 Jul 88*

[Text] Our reporter (Hong Guosheng) learned from the departments concerned on 29 July that CPC Central Committee General Secretary Zhao Ziyang recently received Chengdu City delegates to a national forum on the enterprise contracting system and specifically listened to a report on the Chengdu enterprise property rights transfer market. He fully endorsed this market, which has just been established in Chengdu, and pointed out: We must seriously study the question of how to handle the differential between the original value of assets and the dealing price in the transfer of property rights.

**Qiao Shi Meets Justice Officials at Conference**  
*OW0108125188 Beijing XINHUA in English  
0533 GMT 1 Aug 88*

[Text] Beijing, August 1 (XINHUA)—Qiao Shi, member of the Standing Committee of the Political Bureau of the Chinese Communist Party's Central Committee, met with more than 160 participants to a national conference for directors of justice bureaus or departments here today.

Among those present at the meeting were vice-chairmen of the Standing Committee of the National People's Congress Xi Zhongxun, Lei Jieqiong and Wang Hanbin, State Councillor and Minister of Public Security Wang Fang and President of the Supreme People's Court Ren Jianxin.

The conference opened here today and will last one week.

**Yang Shangkun, Qiao Shi Meet Army Representatives**  
*OW0108125788 Beijing XINHUA Domestic Service  
in Chinese 1116 GMT 30 Jul 88*

[Text] Beijing, 30 Jul (XINHUA)—PRC President Yang Shangkun, and Qiao Shi, member of the Standing Committee of the Political Bureau of the CPC Central Committee, held a meeting today with representatives of participants who are in Beijing to mark the 45th anniversary of the Yen'an movement to support the Army and give preferential treatment to military dependents,

to support the government and cherish the people, and to attend the national meeting to commend units and individuals who have distinguished themselves in the "mutual support" activities.

Leading members of departments concerned, including Yang Baibing, Zhang Dejiang, Zhou Wenyuan, Fan Baojun, and Zhang Xiufu, were present at the meeting. The anniversary and the meeting are cosponsored by the Ministry of Civil Affairs and the PLA General Political Department at the Great Hall of the People.

Yang Shangkun and other leaders also had a photo session with the representatives.

**Li Tieying Meets, Commends 'Student Returnees'**  
*OW3007034288 Beijing XINHUA Domestic Service  
in Chinese 1653 GMT 28 Jul 88*

[Text] Beijing, 28 Jul (XINHUA)—Li Tieying, Zhou Gucheng, Yan Jici, Lei Jieqiong, and Zhou Peiyuan today received all the members of the visit and report group of student returnees who studied abroad and had a cordial conversation with them at the Great Hall of the People.

Li Tieying welcomed the 49 representatives of students who returned from the United States, Canada, Japan, Britain, France, FRG, and Australia; and conveyed to them Premier Li Peng's regards and solicitude over all the students studying abroad.

Representatives of the students talked about their impressions and what they learned after they have returned to the country. Li Tieying said: To send students abroad is one of the measures adopted by China to help carry out reform, open to the outside world, develop the four modernizations program, and rejuvenate the Chinese nation. From now on, we will continue to advocate this measure. Over the past few years, we have sent tens of thousands of students to study abroad and have obtained excellent results. Many returned students have made use of the scientific know-how and the management skills they learned abroad to make positive contributions to the nation's various fields of education, culture, science, and technology. We must continue to review the effective policy and measures in this connection and further strengthen the exchange of visits between people of talents at home and abroad and train qualified personnel.

Zhou Gucheng, Yan Jici, and Zhou Peiyuan also talked about their own experiences. They believed that sending students abroad to study is aimed at promoting China's four modernization program. Many students have made great contributions after returning to China, winning wide acclaim from the state and the people. They hope that the students will return to China at an earlier date after finishing their studies abroad and make even greater contributions to developing China's reform and open policy.



The group of returned students has been organized by the State Education Commission. For nearly 20 days, members of the group have visited 13 provinces, municipalities, and autonomous regions. They have made extensive contacts with people of all walks of life, and attained a better understanding of the situation at home in carrying out reform and construction.

Prior to the meeting, the principal responsible persons of the State Education Commission and all the members of the returned student group held a forum.

**Li Tieying Congratulates Prizewinning Students**  
OW0108081388 Beijing XINHUA Domestic Service  
in Chinese 1646 GMT 28 Jul 88

[By reporter Zhao Wei]

[Excerpts] Beijing, 28 Jul (XINHUA)—Li Tieying, state councillor and minister of the State Education Commission, and other leading comrades met with prizewinning Chinese participants in the international Olympic competition in high school mathematics, physics, and chemistry at the Great Hall of the People today. [passage omitted]

On behalf of the State Education Commission, Li Tieying extended greetings to the participating students and the group leader. He said: Participation in international competition like this is conducive to the development of China's secondary education. He noted: Competition should be looked upon as a window through which to study and compare China's secondary education.

On behalf of the NPC Standing Committee, Zhou Gucheng, Yan Jici, and Lei Jieqiong, vice chairmen of the NPC Standing Committee, attended the meeting and congratulated the Chinese middle school students for their good performance in the international competition in those subjects. [passage omitted]

At the end of the meeting, Li Tieying and other leading comrades presented awards to representatives of the middle school students as well as the group leader. [passage omitted]

**Wang Fang Calls for Protecting Cultural Relics**  
OW0108084488 Beijing XINHUA Domestic Service  
in Chinese 0702 GMT 27 Jul 88

[By reporter Chi Maohua]

[Excerpts] Taiyuan, 27 Jul (XINHUA)—In his recent inspection of public order in Shanxi's Taiyuan, Xinzhou, and Yanbei, State Councillor and Public Security Minister Wang Fang stressed the need to protect cultural relics and to sternly crack down on criminal activities undermining their preservation. [passage omitted]

On 23 July Comrade Wang Fang arrived in Yingxian County, where he visited Liao Dynasty's Wooden Pagoda, which is now more than 900 years old. After carefully inquiring about its protection work, he said: Fire, theft, and damage prevention must be carried out to protect cultural relics. We must sternly deal with, in accordance with the law, persons responsible for fires causing serious damage to the cultural relics. We must firmly and mercilessly crack down on criminals stealing or damaging cultural relics.

**Leaders Pay Last Respects to Ji Dengkui**  
OW0208155088 Beijing XINHUA in English  
0808 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—The remains of Ji Dengkui, once a notable figure in China, were laid to rest in Babaoshan Cemetery here today in a ceremony during which guests paid their last respects.

Ji, who used to serve as a vice-premier and Political Bureau member of the Chinese Communist Party (CPC) Central Committee, died of a heart attack on July 13 at the age of 65, leaving behind a widow and five children.

Born in 1923 in Shanxi Province, Ji Dengkui began his revolutionary career at the start of the War Against Japanese Aggression in July 1937, and became a CPC member the next year.

His wartime career was featured by his role in leading local youth and peasant campaigns in his home province and neighboring Henan Province.

After the People's Republic was founded in 1949, Ji worked for 20 years in Henan and his leadership posts included director of a machinery plant and party secretary of a prefectural committee and of the Henan Provincial Committee.

He was later made first political commissar of the Beijing Military Command and China's vice premier. He was elected an alternate member to the Political Bureau of the Ninth CPC Central Committee and gained full membership in the Political Bureau of the 10th and 11th CPC Central Committees.

In 1980 Ji resigned from the vice premiership and his post in the party's Political Bureau. After 1983, he worked as a researcher at the China Rural Development Research Center under the State Council for five years.

Chinese leaders Qiao Shi, Tian Jiyun, Qin Jiwei, Yan Mingfu, Li Desheng, Xi Zhongxun and Ni Zhifu showed up at the ceremony to pay their last respects and express their condolences to his family.

The ceremonial hall was decorated by wreaths sent by Chinese leaders including Zhao Ziyang, Li Peng, Wan Li and Li Xiannian as well as those sent by some party and government departments.

Zhao Ziyang, Wan Li, Li Xiannian and other leaders went to see Ji Dengkui earlier last month when he was hospitalized.

**Foreigners Invited to Witness Satellite Launch**  
*HK0208011588 Hong Kong SOUTH CHINA*  
*MORNING POST in English 2 Aug 88 p 9*

[By David Chen]

[Text] China will launch another retrievable, two-tonne satellite from its Jiuquan space centre on Friday and for the first time foreign observers are being invited to witness the operation.

Mr Alfred K.F. Ng, regional manager of Pacific General Telecommunications Corporation, has been invited to witness the launching by China's Satellite Launch and Tracking Control General and the China Great Wall Industry Corporation.

He will leave for Beijing today on his way to Jiuquan in Gansu Province, northwest China.

The satellite, containing electronic equipment and other telemetry instruments, will be launched by a Long March II rocket, according to Mr Shangguan Shipan, director of the Launch and Tracking Control General, who has been in Hong Kong for the past few days on business.

Mr Shangguan is travelling with Mr Chen Shouchun, chief engineer of the Great Wall Industry Corporation.

The Jiuquan launching follows the successful placement of a telecommunications satellite in late March from Xichang, southwest Sichuan Province.

The Jiuquan centre is known for its missile tests and the launching of several retrievable satellites.

Next month, China will attempt a new venture—launching a meteorological satellite into a sun-synchronous polar orbit, putting it at a certain spot above the earth at exactly the same time every day.

This satellite will be launched from a third launch centre north of Beijing, using a new rocket, the Long March IV.

**RENMIN RIBAO on Missile Frigate Exercise**  
*HK2907153588 Beijing RENMIN RIBAO in Chinese*  
*24 Jul 88 p 4*

[Article by RENMIN RIBAO reporter Wu Xuelin (0702 1331 2651) and XINHUA reporter Cao Guoqiang (2580 0948 1730): "Watching Exercises Aboard Missile Frigate 'No 536'"]

[Text] Some people say a warship can be the epitome of the modern industrial standard of a country. Not long ago, in the East China Sea, we saw a naval defensive

maneuver conducted under the conditions of a nuclear war and visited missile frigate "No 536," which best represents China's modern industrial standard.

Displaying Its Fighting Capacity for the First Time in a "Naval Battle" [subhead]

Three red signal flares streaking across the sky indicated the opening of the military exercises. "Enemy" airplanes whizzed over the harbor while gunfire licked the heavens. A giant simulated "mushroom cloud" was rising into the sky. Thus, the naval port was suddenly shrouded in an atmosphere of "war."

We entered the operational control room serving as the "nerve center" of the vessel. This ingeniously designed cabin is packed with more than 10 precision instruments, including computer synthetic display units [ji suan ji zong he xian shi 6060 4615 2623 4844 0678 7359 4355], data preprocessors [shu ju yu chu li 2422 2207 7315 5710 3810], and a testing and switching system. All of the instruments started working as soon as the military exercises began. Red, green, and yellow indicator lamps flashed here and there. "Battle" intelligence data kept pouring in and were processed promptly by the computer and instantly displayed on the television screen. Then, through this control room, the commander quickly issued orders to every post on board the vessel.

Experiencing this modern "naval battle," we were elated at the modernization of our naval forces. At the same time, we were also wondering whether this new warship could win this "naval battle."

But our worries were soon proved unnecessary.

The antinuclear alarm was sounded, and all the men on board immediately readied themselves for antinuclear operations. We checked the time with our watches and found that the officers and soldiers on board had spent little more than 1 minute to put on their protective clothing and take their places as assigned. An expert from the antichemical section of the General Staff Headquarters who was watching the military exercises with us graded the crew's performance as "excellent."

At that time, a report was sent in by the radar unit, saying that "three 'enemy' planes are spotted XXX meters at XX degrees on the starboard side and are approaching this vessel."

The captain immediately issued the order: "Repulse with cannons!" All of the main armaments and anti-aircraft guns on board fired instantly and numerous laser simulated shells shot at the "enemy" planes, producing a deafening sound.

"One of the 'enemy' planes was hit," an observation post reported, "and the front paint store and the rear deck of this vessel are on fire!"

"The front damage control team and the rear main armaments post, put out the fire!" The captain issued the order loudly and resolutely. Soldiers in protective clothing and holding high-pressure fire hoses and fire extinguishers rushed to the scenes through dense smoke. The fire was put out in less than 1 minute.

"Flashes of nuclear explosion were seen!" No sooner had the observation post finished reporting this than an order to "clean and decontaminate the whole vessel" issued by the captain was sent to every post on board. At the risk of "nuclear contamination," officers and soldiers on board promptly plunged into the operation to clean and decontaminate every corner of the vessel, and the automatic cleaning and decontamination devices immediately started working. So the whole vessel was suddenly veiled in water.

During the exercise, which lasted more than 30 minutes, almost all the possible emergency cases in modern naval warfare took place. But the officers and soldiers on board missile frigate "No 536" were so composed under efficient direction and cooperated so well that even the most demanding military experts from various departments were deeply impressed by their performance and gave them a high appraisal: "Exercises really true to life and the crew well trained."

#### "Steel" Vessel With "Iron" Crew [subhead]

After the exercise we expressed our congratulations to Captain Qiu Yanpeng. The young captain said: "This is after all a maneuver. Only good performance in real naval battles counts."

At our request, Captain Qiu briefed us on the conditions of the vessel with pleasure. He told us that missile frigate No. 536 is a second generation missile frigate designed and developed by China on its own. As a modern all-closed missile frigate, it is the first of its kind to be equipped with a tactical intelligence center developed solely by China. This center is capable of promptly synthesizing and processing incoming intelligence, reflecting the situation on the whole battlefield, and providing assistance in working out very quickly an optimal battle plan. All the main and secondary armaments on board the vessel are fully automatic, which has raised the hitting accuracy substantially. The vessel is also armed with the missiles that are known abroad as "China's 'Exocet' missiles." Furthermore, some electronic and pneumatic remote control devices have been incorporated in the main engine of the vessel, a big step toward the no-man engine room.

A Western general said: If "steel" vessels plus "wooden" men fight with "wooden" vessels plus "iron" men, the former will surely be defeated. We were deeply impressed by both the political and military quality of all the officers and soldiers we interviewed on board.

The officers serving on board missile frigate "No 536" have a good educational background. Over 80 percent of its cadres are graduates from universities or colleges, and all division commanders underwent training in naval military institutes. Take Captain Qiu Yanpeng, for example. He is only 32 years old, but he has already held the posts of deputy captain and captain for 4 years; and he has undergone training twice at the Higher Naval Institute. Since being appointed captain of vessel "No 536," he has read many books on Chinese and foreign campaign tactical theories of modern naval warfare, military dialectics, and military psychology, and he has applied the system theory, the information theory, battle operational research, and other theories to the direction of naval training. Under his direction, the officers and soldiers of his vessel completed more than half of the training designed for this type of frigate in only several months.

There should be no incapable soldiers under a capable commander. In a small workshop with an area of merely several square meters, we interviewed Wang Linzhong, a young squad leader of the operational intelligence center. Despite his lower rank, he was assuming very heavy duties, and was charged with the manipulation of all the more than 10 high-precision instruments and systems in the center. When we learned that Wang's educational qualification was merely junior secondary school, we were very eager to learn how he managed to control an advanced "computer" with an elementary "human brain." Blushing with shyness, Wang did not want to explain in detail but pointed at the bookshelf on his small desk and said: "I just learn." Placed on the bookshelf were many specialized technical books, such as "Application of Microcomputer Software and Hardware," "Computer Languages," and "Digital Circuits." Also on the shelf were more than 10 thick notebooks. All our doubts were dismissed when we looked through these books full of notes and those notebooks containing more than a million characters.

Wang Linzhong is not the only exceptional case among the crewmen. There are quite a few hard working soldiers like him on board vessel "No 536." They are the "proud sons of the sea."

#### The More "Thirsty" We Are, the More Eagerly We Want To Eat "Salt" [subhead]

Missile frigate No "536" is air conditioned. But we felt so hot that we were almost suffocated in the soldiers' cabins. The reading on the thermometer on the wall was 36 degrees celsius. The officers and soldiers, who were busy with their work, were streaming with sweat. We asked them: "Why don't you switch on the air conditioner?" Political Commissar Li Gang explained to us: "The air-conditioning equipment is power consuming. In order to maintain a long service life of the power generator, we observe a rule on board—we are allowed to



switch on the air conditioner for only a short spell before bedtime." "The more 'thirsty' we are, the more eagerly we want to eat 'salt'," he added.

The spirit of enduring hardships that the crew of this vessel has shown is really moving. During our stay on board, we did hear quite a lot of examples of hard and plain living like the above:

—The vessel's bridge is fully enclosed and thus capable of withstanding the conditions of attack by nuclear and chemical weapons. However, the officers and soldiers on board have never been slack in antinuclear and antichemical warfare drills. In order to reduce the time to put on protective clothing by 1 second, they had to repeat the drill dozens of times on deck, which was heated by the sun to such a high temperature that it could scald their feet. They could pour out sweat from their protective clothing after the drill.

—The fully automatic main armaments on board can automatically load shells. But members of both the front and rear main armaments squads persisted in loading shells, which weigh tens of kilograms each, with their hands during the drill, even though their arms were swollen and their hands wounded.

—The vessel is equipped with a rocking-reduction device [jian yao zhuang zhi 8096 2280 5944 4999] which enables the vessel to effectively maintain balance in stormy seas. However, every time they carried out drills on the high seas in stormy weather, they refused to use the rocking-reduction device even if they got sick because of the violent tossing.

When we wound up our visit, missile frigate "No 536" was going to set sail again. Seeing the vessel in silver grey leaving the harbor slowly and heading for the high seas, we suddenly recalled the image of the petrel depicted by Gorki in his poem.

**Naval Official on Training, Defense of Spratlys**  
HK0308031488 Beijing CHINA DAILY in English  
3 Aug 88 p 1

[By staff reporter Duan Bayi]

[Text] China's Navy is strengthening its military training to upgrade its ability to respond rapidly to events.

A senior officer at naval head-quarters disclosed that vessels and planes defending the Nansha Islands [Spratlys] are maintaining a constant patrol.

In an exclusive interview with CHINA DAILY, the officer said that vessels, fighters and fighter-bombers also are engaged in combined military training exercises.

The Navy Air Force, including fighters, attack planes and fighter-bombers, is strengthening its military training exercises with navy vessels to upgrade its ability to handle sudden events and local wars, the officer said.

The training exercises are offensive and defensive for Nansha's islands and reefs, he added.

The military training exercises include simulated missile attacks on warplanes and warships, simulated attacks on submarines, scouting, and air defence.

More than 80 percent of the commanding officers of China's navy fleets have received long distance navigation training since 1980. So have 60 percent of the commanding officers for submarines and destroyer detachments.

He said that navy formations have sailed Zengmu Reef many times. These are China's southernmost islands and reefs in the South China Sea.

The officer said that the intensified efforts in the field have made the Navy more familiar with the straits, water currents, isles, submerged reefs, navigation marks, and weather in the distant seas. It also has upgraded its adaptability and fighting techniques.

More than 100 warships—including submarines, destroyers and escort vessels—have received long voyage training in the seven years the programme has been in existence.

Successful training also has been conducted on the supply vessels, he said.

The combat ability of the Navy has improved markedly since the introduction of reform to the training system last year.

Over the past year, joint groups composed of naval vessels and warplanes from the various fleets have been sent to sea to trained in air-sea co-ordination as part of the training reform.

The navy last year organized two successful multi-fleet training operations in the Pacific and South China Sea, including the undertaking of fleet resupply, the officer disclosed.

In the latter part of 1987, a more difficult long-distance joint combat training exercises composed of several fleets was conducted in the South China Sea, he said.

The Navy's training for rapid response so far has entered "a unprecedented period," he said.

The officer said that China's Navy will continue to strengthen the long voyage training of naval formations to upgrade ability of combat for the defence of its vast sea territories.



**'Interview' Details Visit to PLA Marine Corps**  
*HK0308022388 Beijing RENMIN RIBAO OVERSEAS*  
*EDITION in Chinese 2 Aug 88 p 2*

["Exclusive Interview" by Deng Huaxu (6772 5363 4872), Guo Xiangxing (6753 0686 2502), and Li Daoming (2621 6670 2494): "A Visit to the PLA Marine Corps"]

[Text] There is a mysterious, special unit garrisoned in the beautiful coastal city of Zhanjiang. Known as "a fierce tiger on the ground, a flood dragon on the sea, and an eagle in the sky," it is the PLA Marine Corps.

The Marine Corps conducted a winter exercise for the first time in China's frozen zone last winter and performed for the Navy's leading organs in Beijing on 27 February this year. We paid a visit to the Marine Corps not long ago.

**The Fifth Arm of the Navy [subhead]**

The topic of our conversation started with: "What is the role of the Marine Corps?"

We were received by 47-year-old Brigade Commander Huang. When we asked what role the Marine Corps could play in antiaggressive wars in the future, Brigade Commander Huang replied, using gestures: "In fighting for control of the seas in a naval battle, the Marine Corps constitutes an indispensable force, because it is the force which can move flexibly and which can operate on the sea and make a sudden landing. Therefore, countries that want to be respected by others must have Marine Corps. Many countries now have Marine Corps." At this point, the commander said with emphasis: "While increasing their military strength, the military powers have not forgotten to build powerful Marine Corps. Marine Corps participated in almost all the nine large-scale limited wars which took place in the world over the years."

Deputy chief of staff Chen, who received us with Brigade Commander Huang, continued on that the topic: "A review of China's history over the century shows that since the Opium War launched by Britain in 1840, the imperialist countries invaded China from the sea. China has a coastline of around 20,000 kilometers and several thousand large and small islands. To strengthen our maritime defense capabilities, China should also have a Marine Corps. The Marine Corps are entrusted with the sacred mission of guarding and supporting the islands, dealing with all eventualities, defending China's territory, and safeguarding world peace."

We realized from their accounts that China's Marine Corps was founded in 1953. At that time, the Marine regiment, Marine division, and amphibious tank regiment took part in the battles to liberate Yijiangshan and Shangxiadachen islands and contributed to the defense of the motherland's coastline. As the conditions later changed, they were disbanded in 1957. With the needs of

national defense building and approval of the Central Military Commission, the Marine Corps was established again on 5 May 1980, thus increasing the four arms (submarine, naval vessel, naval aviation, and shore arms) of the Navy to five.

**The Amphibious Scouts Are the "Tip of a Dagger" [subhead]**

We rushed to the Navy headquarters and watched the performance given by a detachment of the Marine Corps. The dozens of soldiers in colored uniforms who took part in the performance left a deep impression on us: Their Chinese boxing, which was as still as Taishan Mountain and as fierce as a tiger, and their basic skills in capturing enemy personnel were a real feast for the eyes. The audience was carried away by the fighting, which was swift as lightning, and by the scene in which they performed deep-breathing exercises, remaining as cool as cucumbers when five bricks on their heads were smashed to pieces with a 12-pound hammer....

When we asked about Marine Corps training, Brigade Commander Huang mentioned the visit of Commander Kelly of the U.S. Marine Corps to the Marine brigade. After watching the basic course training of our Marine brigade, Kelly held up his thumb in praise, and said: "OK, OK!"

The theater resounded with bursts of applause and cheers. Wang Gejun, leader of the amphibious scouts, told us about a requirement for the Marine Corps: "Foreign armies regard our Marine Corps as 'an army within the army' because the physical quality, combat style, tactical and technical level, and quick reaction of the members of the Marine Corps are unparalleled in other arms of the services. They should be capable of existing and fighting continuously under various adverse circumstances, carrying out long-range raids, scouting across the sea, making a sudden landing, guarding against chemical and atomic attack, and dealing with submarine offenses. In a word, they should have fighting and defending capabilities."

**Advance Along the Road of Modernization [subhead]**

A modern army cannot be separated from modern equipment. The Marine Corps, which is known as "an army within the army," is a combined arms unit with infantry, artillery, armored force, antichemical force, and missile force. It has all kinds of weapons suitable for amphibious operations including automatic weapons for infantry, amphibious tanks and armored vehicles, and antitank missiles. These weapons, which perform well, are all made in China.

Fortunately, we had an opportunity to watch a video of a landing exercise conducted by the Marine Corps:

The attack planes flew towards the island and the enormous naval task forces cut through the waves. When the formation of ships approached the island and two red

signal flares were issued, a number of amphibious tanks and armored vehicles came out from the "bellies" of the landing ships and dashed forward to the island occupied by the "enemy"....

With weapons in their hands and screened by tanks, the landing forces in colored uniforms waded through the shallows and charged the "enemy" position....

The coral reef of a certain island was calm. Suddenly, a helicopter landed from the sky. A number of "heavenly troops" in colored uniforms jumped out from the "belly" of the helicopter and drove straight on to the "enemy" headquarters....

Dusk was falling on the blue sea. The amphibious scouts in diving suits dived into the sea in the dark to carry out their mission...

While watching these shots, we could not help thinking: The days when imperialists trampled on our beautiful and richly endowed coastline, which stretches for tens of thousands of li, are gone forever! Our Marine Corps are advancing with giant strides on the road to modernization....

#### **Military To Set Up Legislation Bureau**

HK0308104188 Hong Kong WEN WEI PO in Chinese  
3 Aug 88 p 1

[Report by Liu Jui-shao (0491 6904 4801) from Beijing on 2 August: "The Central Military Commission Is Making Preparation for the Establishment of a Legislation Bureau"]

[Text] According to informed sources, after the adoption of the civilian personnel system and the restoration of the military rank system, the PLA is now preparing for a new reform step. That is, a legislation bureau will be set up in the Central Military Commission, and this organ will be responsible for giving legal advice and guidance to the Army and for formulating and coordinating the laws concerning the Army. This will be a major step taken by the military to strengthen the legal system.

The Central Military Commission decided to set up this legal system bureau 3 months ago, and the preparatory work is now in process. The authorities concerned and the military regions have recommended leading officials for this new institution, but the Central Military Commission has not yet made the final appointments.

The legislation bureau will be an institution at the same level as the provincial Military District. At present, there is no a special functional organ in the Army to handle the legal work. The legislation and legal coordination work concerning the Army is also handled by the Legislation Bureau of the State Council, but it is hard for this State Council department to deal with military regulations

and laws concerning military affairs. So the establishment of the legislation bureau of the Central Military Commission will relieve the Legislation Bureau of the State Council from some work burdens.

The military already has its own judicial organs (such as the military courts) and procuratorial organs (the military procuratorates). The establishment of the legislation bureau will further improve the law-making and law enforcement structure in the Army.

#### **PLA Helps Construction of 20,000 Local Projects**

HK0108114288 Beijing JIEFANGJUN BAO  
in Chinese 21 Jul 88 p 1

[Report By Reporter Fan Juwei (5400 3515 3555): "PLA Aids Construction of Nearly 20,000 Local Projects in 4 Years"]

[Text] Today, Zhu Tingxun, Director of the Mass Work Department under the PLA General Political Department, disclosed to the press circles of Beijing: Since 1984, through the movement of supporting the government and cherishing the people, the PLA has participated in and aided the construction of nearly 20,000 state or local civilian projects or public-welfare undertakings. The most famous of these projects include the Fuzhou-Mawei Highway [Fu Ma 4395 7456], the Taoxian International Airport At Shenyang, the project of diverting the Huanghe To Qingdao, the Beilungang Railway, the Huolinhe Coal Mine, the project of digging the new Xuzhou Canal [Xu Yun Xin He 1776 6663 2450 3109], the project of harnessing the Huangxiaohe, and so on.

The Jinan Military Region has organized its troops to take part in the construction of some 1,340 local civilian projects. The Jinan Military Region sent some 37,000 troops and over 700 vehicles and machines to take part in the construction of some 13 major local civilian projects for nearly 500 work days and accomplished over 70 million yuan of the state construction investment. The Second Air Defense Engineering Department of the PLA Air Force has contracted the task to extend four civilian-military airports in Dalian, Dandong, Changchun, and Qiqihar and the task to build the principal part of the Taoxian International Airport at Shenyang. The extension of the four airports was completed 13 months in advance in aggregate. The quality of these extension projects was 100 percent up to the standard and 94.6 percent above the standard. The per capita output value of the Second Air Defense Engineering Department of the PLA Air Force has topped 10,000 yuan for 3 years running, thus occupying a dominant position in the construction trade both inside and outside the army.

The PLA has also opened up some military facilities and installations to serve the local economic construction. Over the past 4 years, the PLA has opened up some 59 military air fields, more than 300 railway transportation

lines, 20 military wharfs, and over 100 military warehouses to the local civilians to serve the local economic construction. Now, civilian planes take off and land at the various military air fields some 7,000 times each year. The PLA Air Force has also opened up 62 railroad transportation lines to the local areas and has built over 100 feeder railroad lines along these railroad transportation lines for the local units. As a result, the transportation volume of the local units along these railroad transportation lines has increased by six million tons annually.

The military academies and schools, the PLA scientific research institutions, and the technical units (detachments) have played an important role in supporting the local economic construction. Over the past 4 years, the military academies and schools, the PLA scientific research institutions, and the technical units (detachments) have trained nearly 0.8 million various types of technological personnel for the local areas. A lot of PLA scientific research institutions and military production departments have carried out economic and technological cooperations with local areas. Over 10,000 items of military technology have been transferred to the local areas. Now, the output value of the civilian products produced by the military production departments accounts for 40 percent of the total output value of the military production departments. Over the past 4 years, the University of Science and Technology for National Defense has helped the local areas to complete some 592 scientific research projects, transferred some 185 items of technology to the local areas, provided technical consultations on some 522 local projects, and trained 26,000 technological personnel for the local areas. As a result, the University of Science and Technology for National Defense has been named "The Vanguard in Giving Intellectual Support to the Civilians" by the Commission of Science, Technology, and Industry for National Defense.

A lot of PLA units have sent personnel and equipment to help the nearby cities and towns to build commodity production bases and helped the rural areas to build the agricultural and trade markets. The Beijing Military Region has helped the local areas to build 54 agricultural and trade markets and commodity production bases.

The PLA units stationed in the Shenzhen Special Economic Zone and other areas which are open to the outside world have actively aided the construction of the key local projects. For example, the PLA units have taken part in the construction of the Dayawan Nuclear Power Station in Shenzhen, the construction of the Nanshan Industrial Zone in Zhuhai, the construction of the Jiuzhou Port, the construction of the Xiamen International Airport, the construction of the Qinhuangdao Wharf, and the construction of some other emergency and major projects.

The PLA units have helped the local areas to build a lot of public-welfare undertakings. The PLA units have also

helped the local areas to plant a total of 200 million trees and seeded by airplanes some 2,176 mu of trees and grassland.

**106 Students Attend Military Summer Camp**  
*OW3107035088 Beijing XINHUA Domestic Service  
in Chinese 0724 GMT 29 Jul 88*

[Text] Nanning, 29 Jul (XINHUA)—The Seventh Summer Camp of Military Science and Technology for Chinese Youth officially opened on 27 July at the Guilin Air Force Antiaircraft Artillery Academy.

Participating in this summer camp were 106 students from more than 50 middle schools in Beijing. Most of them are "three-good students" [students who exhibit good health, good study, and good work] and CYL members. These students will spend one week in the border areas in southern China studying military science and technology, learning military techniques, playing military games, and participating in a total of 21 projects.

The summer camp was sponsored by the Ministry of the Machine Building and Electronics Industry, the PLA General Staff Headquarters, and the Society of Ordinance with Zou Jiahua as the director and Yang Dezhi as the honorary director.

**Account of PLA Exercise on Tibetan Plateau**  
*HK0108055788 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1100 GMT 31 Jul 88*

[Text] Xining, 31 Jul (ZHONGGUO XINWEN SHE)—One day in midsummer, airplanes swept across the Qinghai-Tibet plateau, dropping a large number of parachutes. The parachutists in colored uniforms drifted down and landed on the plateau. It was an exercise conducted by the PLA airborne units for the first time on the Qinghai-Tibet plateau.

The airborne units taking part in the exercise were garrisoned in the hinterland of the Central Plain. Their successful landing on the plateau, thousand of kilometers away from their station, filled the gaps in the history of the PLA airborne units and also indicated that they are capable of conducting operations on the plateau. The landing of the PLA airborne units for the first time at such a height above sea level indicates that China's airborne units can move from the central plain to every corner of the country within a day and that they are capable of dealing with all eventualities and limited warfare.

Known as a favored one in the Army, the airborne units were founded in 1950 on the basis of a ground force which scored outstanding achievements in war. A number of noted generals including Qin Jiwei and Xiang Shouzhong assumed the position of supreme commander of the units in the past.



With the development over the past 30-odd years, the quality of the units has improved. The parachutists have left their successful footprints in the Xingan Mountain cold region in the northeast, the tropical forests in Xishuangbanna, the Jiangnan plain, and thousands of mountains. Hence, the parachutists have always dreamed of resolving the difficult problem of conquering the plateau.

The first problem to be solved in landing on the plateau is the parachute. The thin air and changing climate on the plateau can affect both air transport and tension of the parachutes. Airborne action will fail if the parachutes cannot operate under such conditions.

People placed their hopes on the "Parachute-9" made by the airborne units. This third generation metal parachute adopts the method of opening at two stages. Its functions rank first in the world. At the beginning of the experiment, dummies were used in parachuting to collect data. Then a number of veteran parachutists, with the rich experience of parachuting more than 1,000 times, made a successful 20-odd landing experiment. The equipment and other types of parachutes of the airborne units also underwent testing, obtaining a great deal of data.

The training exercise was conducted between the Gobi and the desert. Although the exercise was conducted in a desolate place, it attracted large numbers of local people: Old Tibetans with revolving scriptures in their hands; young Kazak girls riding on horses; and sturdy Mongolian men came from distant places to watch the exercise. When the parachutists landed in formation, the deafening cheers made the exercise conducted on the Gobi a grand occasion.

Although the landing was a success, it could not prove that the airborne troops were adapted to operations conducted on the plateau. Because of the low pressure, shortage of oxygen, low temperature, and arid climate, those coming from the interior had to breathe hard even when they stood still and did nothing. For this reason, the airborne units conducted a series of training exercises.

Following the landing, the parachutists were immediately divided into small groups to conduct an 18-km march. With some 20-kg of weapons, field rations, and necessary equipment on their backs, the parachutists underwent a series of training exercises which included long-range raid, cooking meals in the field, defending key strongpoints, and camping. They also underwent the experiment of limiting the amount of drinking water under high temperature. A great deal of valuable data was gained from the arduous exercises and training. It provided the basis for conducting operations in the future and also indicated the indomitable combat effectiveness of the PLA airborne units.

At the time this report was dispatched, the airborne units were moving along the Qinghai-Tibet highway towards the Kunlunshan. With an indomitable spirit, they proceeded to conquer a new height above sea level.

**Enterprises Play 'Main Role' in Air Defense**  
OW0108002488 Beijing XINHUA Domestic Service  
in Chinese 0101 GMT 26 Jul 88

[By correspondent Wan Gaochao, and reporter Xu Jingyao]

[Text] Beijing, 26 Jul (XINHUA)—One day not long ago, a formation of shrieking "enemy planes" swooped down on an artillery unit's Bo Hai shooting range. Instantly, salvos of artillery fire soared skyward, knocking out all the "enemy planes" one after another. This was the scenario during an exercise conducted by the air defense unit of the Beijing reserve forces.

According to a leading member of the PLA General Staff Headquarters, the exercise, in which live ammunition was used, was a test of Chinese cities' air defense readiness, which has become much stronger after 30 years of development. Currently, there are people's air defense bases and hundreds of reserve air defense units, including antiaircraft artillery units and radar and signal units, deployed in many large- and mid-sized cities in the country. These highly responsive and combat-ready reserve units have become important forces defending China's airspace.

Guided by the concept that air defense is essential in time of peace, all provinces, municipalities, and autonomous regions have restructured their civil air defense units in recent years, with large enterprises generally playing the main role. For example, air defense divisions and regiments made up of proficient young workers and equipped with modern weapons have been established in the Daqing Oil Field, the Anshan Iron and Steel Co, the Beijing Yanshan Petrochemical Corp, and the Changchun No 1 Motor Works. The introduction of microelectronic technology into the militia antiaircraft system has gradually automated firing commands and greatly improved the responsiveness of air defense systems.

A number of air defense training bases with teaching, training, and living facilities have also been established in various large- and mid-sized cities. These bases, which can provide tactical training for personnel of various services, have organically integrated the work of training, recruiting, and mobilizing reservists. Various types of training contracts specifying training courses, equipment to be used, management, and trainers and trainees have been adopted. Renovation of training courses and training methods has accelerated the mobilization of troops and improved training quality. Statistics from Shenyang, Beijing, Henan, Anhui, and Jiangsu show that over 95 percent of the reserve forces have passed the training test.

**Weekly Paper Cited on Foreign Debt Repayment**  
OW0208132288 Beijing XINHUA in English  
1021 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—China's foreign debt repayment will peak by the early 1990s, the current issue of the English language weekly "BEIJING REVIEW" says.

But the country can avoid a debt crisis by expanding exports and maintaining debt repayment rates below 20 percent, the weekly says, quoting Zhang Shubao, associate professor of Fudan University in Shanghai.

Zhang said that by the end of 1986 China's foreign debts totalled 20.6 billion U.S. dollars, of which 7.6 billion U.S. dollars were low-interest, long-term loans raised under the authority of the central government.

The country's average foreign debts each year in the 1980s have been 15 billion to 20 billion U.S. dollars, or about 20 U.S. dollars per capita.

In the early 1990s, they are expected to rise to 25-30 billion U.S. dollars, about 30 U.S. dollars per person.

And by the mid-1990, they should reach 35-40 billion U.S. dollars, or about 40 U.S. dollars per Chinese.

China has no trouble raising funds for its domestic construction because it has sustained political stability, has a well considered economic development strategy, and has enjoyed rapid growth of the economy. For these reasons it has a high credit rating in the international community.

But in the mid-1990s, demands for repayment will peak.

Recalling the 1982 international debt crisis in the developing countries, the question is: Will China be able to repay its debts?

Zhang said that to judge whether a country can afford to repay its foreign debts, various interlinked factors must be examined.

The debt repayment rate is first and foremost. This is the total of debts and interest to be paid in a year expressed as a percentage of total foreign exchange earnings.

It is internationally agreed that this figure should not be higher than 20 percent.

In the 1980s, China's rate averaged only eight to 10 percent, peaking at 13 percent.

In the early 1990s, however, the rate is expected to rise to 13 to 15 percent, and in the mid-1990s to 17 to 19 percent.

Clearly this will be a crucial period. It demands close attention to such factors as the total debt accumulation, the average debt interest rate, the average duration of debts, and the fluctuation of exchange rates on the international markets.

Raising debts from abroad is like giving the national economy a shot in the arm; repaying the money is like draining blood from it.

Raising loans is, of course, risky business.

Zhang said China should benefit, though, if the central government strengthens its macro-control and management of loans, channels them into construction projects and links its overseas borrowing with the introduction of foreign technology and equipment.

Expanding the scope of foreign debts offers more advantages than disadvantages, he said, and is an important way to achieve an export-oriented economy.

China's long-term, low-interest loans from abroad should be kept at 30 to 40 percent of the total debts. Interest rates should average 7 to 8 percent and repayment periods, 5 to 7 years, Zhang said.

These loans, however, necessitate an export drive to generate enough foreign exchange to repay the debts.

China needs to tap more of its export potential.

Last year China's exports reached 34.603 billion U.S. dollars, up 7.6 billion U.S. dollars from 1986, and a major break from the prolonged stagnation of previous years.

In the mid-1990s, China's exports should rise to 60-70 billion U.S. dollars to meet the peak debt repayment period when the country will have to pay 12 billion to 13 billion U.S. dollars a year.

With a debt repayment rate of between 17 and 19 percent and no unforeseen disasters, China should escape the debt crisis of other developing countries, Zhang contended.

**Authorities To Consider Debt-Repayment Fund**  
HK3007072788 Hong Kong WEN WEI PO in Chinese  
29 Jul 88 p 1

[Dispatch from Beijing by WEN WEI PO reporter Liu Jui-shao (0491 6094 4801): "To Cope With the Peak Period of Foreign Debt Repayments in the 1990's, China Is Considering Setting Up a Debt-Repayment Fund"]

[Text] Beijing, 28 Jul—A source disclosed: To cope with the debt crisis that will probably emerge in the peak period of foreign debt repayments in the 1990's, the relevant Chinese authorities are considering setting up a debt-repayment fund and will work out a series of systems.

If these systems are defined, they will play a considerable role in stabilizing the confidence of foreign capital.

It is learned that the planned debt-repayment fund will consist of two parts: first, the transfer of a certain amount of foreign exchange from the state treasury; and second, the extraction of a certain percentage of money from the foreign debts of local authorities or enterprises. This fund will chiefly be used to repay the foreign debts which, due to various reasons, some local authorities or enterprises cannot repay in time.

In recent years, due to the rapid development of the national economy, China has quickened its pace in borrowing money from abroad. China's foreign debts increased by 23.5 percent in 1985 over 1984, by almost 100 percent in 1986 over 1985, and by 46.5 percent in 1987 over 1986. So far, China's foreign debts have increased from \$20.3 billion to about \$33 billion, and the trend indicates that they will rise continuously. Experts estimated that China will face the peak period of repaying the principal and interest of its foreign debts between 1992 and 1995. The total amount of principal and interest to be repaid each year will exceed \$12 billion, with the debt repayment rate approaching 20 percent. To prepare for a rainy day, the relevant quarters have been considering setting up a debt-repayment fund.

It is learned that the plan has been submitted to the State Council. Although it has not been approved and the amount is still unknown, the general outline has been defined.

The setting up of a debt-repayment fund is one of the measures China has taken to cope with the possible debt crisis. China is also considering other measures to control the drastic increase of foreign debts. Between the government and enterprises a debt-repayment system will also be established, under which those enterprises which cannot repay their debts will be auctioned off by the government.

#### **Paper Calls For End to 2-Tier Price System**

OW0308120088 Beijing XINHUA in English  
1105 GMT 3 Aug 88

[Text] Beijing, August 3 (XINHUA)—China's two-tier price system, once hailed as necessary and beneficial, is now being viewed as an obstacle that is shackling on-going price reform.

The Chinese press has become increasingly critical of the system that has permitted some prices to fluctuate according to market demand while maintaining the decades-old practice of fixing prices for means of production.

Factory directors and managers have been most vocal in complaints, disturbed by the low efficiencies that plague Chinese industrial enterprises.

Where does the money go? They ask.

"In the big funnel of commodity circulation," says Zhang Xingrang, director of the No 1 Plastic Factory at Shijiazhuang, capital of Hebei Province in north China. Zhang feels there are too many middlemen raising prices in repeated resellings.

He blames the situation on the two-tier price policy.

The discrepancies between the state-set price and the market price have given opportunities for traffickers to rake in more profits.

The Tianjin Toothpaste Factory, for example, was unable earlier this year to find any aluminium at the state-fixed price of 4,400 yuan a ton but could obtain all it needed in a behind-the-scenes deal at 10,000 yuan a ton.

Moaned Wang Chongyi, director of the factory, "last year we earned five million yuan in profit but this year we have had to spend six million yuan on raw materials."

The Shijiazhuang tractor plant is facing a similar dilemma. Steel plate has skyrocketed in price, from 1,600-1,700 yuan a ton in February to 2,600-2,700 yuan in April and 3,600-3,700 yuan a ton in June.

"When the last straw is put on our back, we'll be forced to switch the heavy burden on our customers," the director of the plant said.

Enterprises do their utmost to purchase raw materials at the cheaper state prices even if they do not need to use to them at that moment.

Consequently, the shorter the supply, the greater the inventories of the good in demand in warehouses. At the end of 1986, 28 million tons of rolled steel were in storage.

This has prolonged the process of turning raw materials into consumer goods and has forced the state to issue more money, which, in turn, has accelerated inflation, said an article in Tuesday's "ECONOMIC DAILY".

The two-tier system has made the market more attractive to enterprises than the task of fulfilling state quotas.

Enterprises try to keep more products in their own hands for direct sale on the market where they will earn more money.

The State Statistics Bureau noted that in the first four months of this year, suppliers of 14 goods subject to state distribution failed to meet their contracted quota.

The two-tier system has also made state control over investment size more difficult. Costlier production has sent the cost of infrastructure projects up correspondingly.



One ton of coal produced during the Sixth Five-Year Plan period (1981-1985) was 85 percent higher than the previous five-year plan; the cost of building a kilometer of railroad was up 1.2 times.

That explains why the construction of some key projects has to be delayed time and again and why additional investment has to be put in constantly, "ECONOMIC DAILY" said.

The paper called for an open market for means of production, saying, "to tide over difficulties in the price reform, abandoning the two-tier system is the only choice we should make."

**State Council Devises New Revenue-Sharing Plan**  
OW0208145388 Beijing XINHUA Domestic Service  
in Chinese 1420 GMT 1 Aug 88

[By reporter Wu Jincai]

[Text] Beijing 1 Aug (XINHUA)—The Ministry of Finance announced recently that from now on, departments under the party's Central Committee and the State Council are not allowed to order localities to implement measures for reducing incomes and increasing expenditures, unless such an order is approved by the State Council and agreed upon by the Ministry of Finance.

The State Council decided recently that, on the basis of the existing financial structure and with 1987 revenue and expenditure as the base figures, the practice of allowing localities to keep all the revenues they produce in excess of the quota, sharing of total revenue plus proportionate sharing of increased revenue, or sharing of the total revenue will be implemented from 1988 through 1990 in the 13 regions that turn over a relatively higher percentage of revenues to the state.

While explaining the background behind this decision, a Ministry of Finance official said that these regions turn over most of their revenues to the central authorities and keep only a small portion. This is not good for arousing their enthusiasm for increasing revenue. Therefore, some regions have experienced slow revenue growth; a "slide" in revenue has even appeared in some regions. The new decision is aimed primarily at arousing the enthusiasm of localities for raising revenue and to insure that state finances are stable and balanced.

The official commented that the revenue-sharing system is good for arousing local enthusiasm for increasing revenues. However, we must also realize the central authorities are experiencing acute financial difficulties. Revenue is growing slowly and all expenditures must be guaranteed; it leaves us little room to maneuver. Therefore, the Ministry of Finance announced that—in the course of implementing the budget and even when policy measures taken by the state affect the revenue and expenditure of the localities—the revenue-sharing ratio,

the amount of revenue to be submitted, and the amount of subsidies to be received by localities will not be readjusted, unless the State Council stipulates otherwise.

He said all regions concerned should conscientiously implement the contract system. They are responsible not only for surpluses, but also for losses. It is necessary for them to broaden their sources of income and increase their financial strength. They must not adopt short-term economic measures for the sake of increasing revenue, nor should they try to obtain financial help from the central government by illegitimate means.

To this reporter's understanding, the 13 regions mentioned above are Hebei, Liaoning, Shenyang, Harbin, Jiangsu, Zhejiang, Ningbo, Chongqing, Beijing, Dalian, Qingdao, Wuhan, and Tianjin.

**JINGJI YANJIU on Wage, Profit Reform**  
HK3107051188 Beijing JINGJI YANJIU  
in Chinese No 6, 20 Jun 88 pp 3-11

[Article written jointly by Dai Yuanchen (2071 0954 2525) of the Institute of Economic Research, Academy of Social Sciences of China, and E. Hon-ming Li (7812 3352 2494) of Temple University, in Philadelphia in 1987 and revised in Beijing in March 1988: "Wage Eats Away Profit—A Hidden Danger in China's Economic Reform"]

[Text] I. Choosing the Stimulation of One's Interest as a Starting Point in Reform Is an Inevitable Result of 20 Years of Wage Freeze [subhead]

Many scholars of the economic reforms in socialist countries believe that the order of reform should be as follows. First, the mechanism should be transformed. During the transformation, the benefits should be regulated. In the beginning of reform, the overall planning of allocation must be controlled. This is because in spite of the ability of the traditional planned mechanism to pool resources to carry out construction, shortcomings such as inflexibility and inertia in operation also result. In the reform, the commodity economy and the law of value can mobilize the initiative of the ordinary people, and the market mechanism can ensure more effective allocation of resources. Then the relationship of interests can be regulated on the basis of increased vitality and benefits. If the order is reversed and the stimulation of interest is given the first place, everybody will be happy with increased incomes. However, the lack of binding by benefits on the mechanism may lead to excessive allocation and, in turn, inflation. Market development and transformation of the mechanism will be hindered and the economic reform will be stuck in a stage of dual coordination in which "one eye is watching the market and the other the higher authorities." It will be difficult for economic reform to continue.

However, there has been no example yet in socialist countries of economic reform that follows this ideal order. On the contrary, without exception the stimulation of interest is given priority. Why is this so? The reason varies according to the country. In China, it is a historical inevitability resulting from 20 years of frozen wages.

According to Marxist economic theory, in socialist distribution according to labor, the wage is determined by the quality and quantity of labor. According to Western economic theory, wage is determined by the balance between the supply of labor for paid employment and the demand for it. However, the original Chinese wage system has nothing to do with either theory. It is a kind of egalitarianism in which you get the same wage no matter how much or how little and how well or poorly you work. Of course, the wage reform in China in July 1956 was not egalitarian. At that time, different wage criteria were set up according to differences in production technology of industries. The 8-grade wage system was set up for industrial workers, the 7-grade system for construction workers, the system of wage according to job was set up for textile workers, and three categories of the 5-grade wage system for sales staff of commerce departments. The wage difference between skilled labor and unskilled labor was about two to four times. For staff of state organizations, public institutions, and enterprises, a system of differential wage according to duties was practiced, based on the ranking, the responsibilities, and the degree of complexity of work of technology. In Beijing (price zone 6), the wages for administrative personnel in state organizations were differentiated. The amount was 644 yuan for grade-1 wage, and 23 yuan for grade-30 wage, with a difference of 28 times between the two. The wage reform of 1956 also emphasized that each industrial department must improve its reward and subsidy system based on its production reality. There were 104 reward systems set up by 15 industrial and communications departments. Therefore, in 1956, China changed its previous wage system which was partially based on supply in kind, and implemented a differential wage system based on currency. The plan then was to regulate the wages and promotion and raise the wage criteria later so as to better realize the principle of distribution according to labor. However, the development in the 20-odd something years that followed led China to a road of egalitarianism which was contrary to the principle of distribution according to labor. Due to the zigzagging development of China's economy and China's exaggeration of spiritual power during that period, which negated the principle of material interest, the promotion system proposed in the 1956 wage reform actually stopped. In the 20 years between 1957 and 1976, wage revision and promotion for workers and staff took place four times. The accumulated percentage of promotion was only about 90 percent. The average promotion for each worker/staff member was less than one grade. The first time was in 1959, with the wage revision and

promotion for industrial workers. In industry, construction, and transportation and communications, 30 percent of the workers were promoted by one grade; in agriculture, forestry, water works, and commerce, the figure was 50 percent. The second time was in 1961, when 30 percent of mining and forestry workers were promoted by one grade. The third time was in 1963, when 40 percent of all workers and staff were promoted by one grade. In the fourth instance, low-income workers and staff were promoted by one grade. In a period of 20 years, Chinese workers and staff had their wages revised only within the above scope. Many of them were not promoted even by one grade. Therefore, it is totally correct to say that the wages were frozen for 20 years.

From the above we can see that there were wage differences among Chinese workers and staff who started work prior to 1956 and who were involved in the 1956 wage reform. Those who started work after 1956 were at first paid the wage at the lowest point of the scale, and later promoted by one or two grades. Thus, there was not much difference among their wages. The number of Chinese workers and staff has increased considerably since 1957. At the end of 1957, there were 21.03 million workers and staff in units under ownership by the whole people; by the end of 1977, the number had reached 71.96 million. The number of workers and staff for units under collective ownership in towns and cities was 6.5 million at the end of 1957 and 19.16 million by the end of 1977. (The wage criteria for workers and staff of units under collective ownership in towns and cities are similar to but a bit lower than those for units under ownership by the whole people.) (Footnote 1) (The above figures are cited from "ZHONGGUO TONGJI NIANJIAN 1987" ["CHINA STATISTICAL YEARBOOK 1987"], China Statistical Publishing House, 1987 edition, p 115) Workers and staff who started work during the 20 years of wage freeze (comprising 70 percent of all workers and staff as of the end of 1977) are found at the lowest point of the wage scale. Many of them have become key elements in production and have trained many apprentices. Yet there is not much wage difference between those who perform well and those who do not, and between masters and apprentices. This shows that the serious egalitarianism in China's wage distribution is not the original intention of the 1956 wage reform. It is a result of 20 years of wage freeze.

The egalitarian wage scale could have been remedied with piece wages or the reward system. However, since 1958, both piece wages and the reward system had been repeatedly disrupted; by the beginning of 1967, they had been abolished. By that time egalitarianism had become extremely serious. However, distribution according to labor was still constantly criticized then, in the name of criticizing "capitalist rights," so that theoretical support for egalitarianism formed as a result of long-term wage freeze. Of course, this phenomenon did not result from negating the theory of distribution according to labor alone. In the overall economic policy, wages were frozen as China had to maintain high accumulation and high



investment even during economic difficulties. After 1958, China repeatedly put all her effort in expanding her capital construction at a faster pace than she could manage. Although the economy grew for a short time, imbalance between income and expenditure and serious shortage of material resources followed immediately, and the rate of economic growth went down. During economic growth, the state had to try all means to pool funds to expand capital construction but was unwilling to revise the wages for workers and staff or promote them. During the low period of economic regulation, there were cuts on all items of expenditure, and so the state could not afford to raise the wages of workers and staff. Therefore, although the economic benefits during that period were not high, on the opposite end of wages, profits still grew rather fast. In 1957, industrial enterprises that kept independent accounting under ownership by the whole people made a profit of 7.8 billion yuan. By 1977, it had grown to 38.4 billion yuan, an increase of 4 times. This enabled China to have a far higher rate of accumulation than developing and medium-developed countries in general in spite of a rather low per-capita national income.

At his meeting with Goh Chok Tong, first deputy Prime Minister of Singapore, on May 29, 1987, Deng Xiaoping said, "From 1957 to 1978, the question of 'leftism' hindered China for almost 20 years. In spite of some development in China during this period, the whole society was in a state of inertia. The average income in cash for the peasant then was 60 yuan a year, for the urban worker it was also 60 yuan. There had not been any change for almost 20 years. By international standards they had remained below the poverty line." (Footnote 2) ("RENMIN RIBAO" 30 May, 1987) These words vividly describe the problems facing China at that time. They also implied the inevitability of starting China's economic reform by increasing the incomes of workers and peasants.

## II. Theoretical Affirmation of Distribution According to Labor and Contradictions in Practice [subhead]

After shattering the gang of four, China reaffirmed the principle of distribution according to labor. In practice, the principle of distribution according to labor is realized through two channels: wage revision and re-introduction of the bonus system.

In wage revision, workers and staff who had been working for many years at low wages were promoted in 1977. They comprised 40 percent of the permanent workers and staff. In 1978, 2 percent of the workers and staff were promoted. In 1979, the figure was 40 percent. After 1981, departments took turns in revising the wages of their staff. In 1981, wage revision affected teachers and staff at primary and secondary schools, nurses at health and medical units, and male and female athletes and coaches in the sports system. In 1982, it affected those in state organizations and those in institutions not previously affected. In 1983, it affected workers and staff of

enterprises. After this revision, the wages of workers and staff had been raised by two grades in general. In individual cases the raise was by 3 grades or just 1 grade. The phenomenon of excessively low wages for workers and staff was improved. However, since the revision took place under the traditional economic system, it only resulted in a pay hike, but not reform of the mechanism or greater efficiency. Moreover, the wage revision and promotion were mainly based on qualifications and seniority. The drawback of egalitarianism had not been overcome. Since fragmentary wage revision could not resolve the problem, people had expectations for the wage reform. In 1985, China separated state-run enterprises from state organizations and institutions and implemented wage reform according to different criteria. For state organizations and institutions, a structural wage system was introduced which emphasized wage according to responsibilities. The wage was divided into basic wage, wage according to responsibilities, subsidies according to length of service, and wage in the form of bonus. The wage criteria for specialized technical duties in institutions were parallel to corresponding administrative duties. Although these measures simplified wage categories, they also had the drawback of using official ranking as the basis and made official ranking superior to the others. Meanwhile, due to its limited financial ability, the state was able to resolve the wage question of those who had been underpaid for their jobs, but the 1985 wage reform had to depress the wages of those who had senior responsibilities. If wages are calculated by adding the basic wage and wage according to responsibilities, the gap between the highest and the lowest wages narrowed down to 10 to 1. Most people are in the lowest wage range of their responsibilities. Therefore, egalitarianism is still prevalent.

In the 1985 wage reform, the measures adopted for state-run enterprises differed from those for state organizations and institutions. In the traditional mechanism, the state adopted the same wage system for all trades and departments. There was no difference in the wage system of state-run enterprises and administrative organizations and institutions. One of the goals of the economic reform is to make enterprises into relatively independent commodity producers, with autonomy on their production and management, including power to determine the wage level, wage criteria, graded reward for workers and staff, and the use of profits after taxation. However, in actual practice, the wage system in enterprises is still based on and modified from the structural wage system of administrative units and institutions. Moreover, not many people in enterprises have posts. In the revision, most people were promoted by one grade only. And the so-called "self-sponsored" reform means that in the first year the increased wages are drawn from the retained profits, and only in the second year can they be included in the costs. Therefore, the wage system of enterprises differs from that of administrative units and institutions in that the wages are completely or partially linked to the economic benefits of enterprises. With "complete linkage," the total amount of wages of workers and staff



in an enterprise floats with its economic benefits. With "semilinkage," the wages of workers and staff in an enterprise are fixed, but their bonuses float with its economic benefits. About 15 percent of the total number of workers and staff in state-run enterprises are involved in "complete linkage" and about 85 percent are still in "semilinkage." The state still strictly controls the enterprises' total wage fund. The wage reform basically modified the original wage criteria and changed them to slightly raised structural wages. The wages themselves are still egalitarian.

In the distribution system of state-run enterprises, the bonus is becoming more and more important. To say that the economic reform starts by stimulating one's interest includes the implementation of the bonus system. China re-introduced the bonus system in 1978. An enterprise that has attained the 8 targets as planned, such as those related to quantity, quality, and profit, can draw what is equivalent to 5 percent of the total wages for its workers and staff from its enterprise fund and use it for bonuses. This amount is roughly more than the wages for half a month. With the implementation since then of the profit-retention system, fixed profit quotas, fixed growth quotas, replacement of profits by taxes, and contract-responsibility system, profits retained by enterprises for their own use have been increasing, and bonuses given to workers and staff have been increasing too. Bonuses have gradually become a chief means to mobilize the initiative of workers and staff and a main channel for them to increase their incomes.

Theoretically, bonuses are used to encourage extra labor, and distribution according to labor should be done through the wage system. However, due to the rigid nature of interests, those who are in the high wage group do not get less, even if they contribute little or nothing. When the economic power is weak, wages cannot be raised for those in the low wage group according to the quality and quantity of their work. The several wage revisions and the wage reform only entered those with positions in the wage scale. Most workers and staff only earn more money, but structural change of the wage system has not taken place. Moreover, the rationalization of wages cannot be attained with one revision only. It has to be attained with promotion at fixed intervals, which were suspended after 1985. Therefore, bonuses have gradually replaced wages as a means to mobilize initiative.

### III. The Linkage and Semilinkage of Wages to Profits Adversely Affect the State's Overall Control of Wages [subhead]

After investigating China's wage revision and wage reform, we believe there are contradictions between overall wage control and specific wage revision. In overall control, the method in the traditional system of control over the wages-fund has always been used. This means the state decides the total amount of wages. Then

it is worked down to the level of administrative organizations, institutions, and enterprises. The bank issues to each unit a pass book with a fixed-wages fund. With the book, the unit draws cash from the bank each month to pay for the wages. This direct control based on absolute wages is too rigid on enterprises. Enterprises cannot revise wages according to the performance of their workers and staff. Therefore, a method of indirect control has been suggested in the reform, i.e., the linkage between the total amount of wages of an enterprise and its economic benefits. There are two types of linkages. With the first type, the enterprise's total amount of wages is linked to its economic benefits as measured in kind. For example, construction enterprises set aside a certain percentage of each 100 yuan's worth of output value for wages; in coal mining enterprises a certain percentage of the worth of each ton of coal is allocated for wages; in transportation enterprises a certain amount of the worth of transporting each ton per kilometer is used for wages. With the second type, an enterprise's total amount of wages is linked with the taxes it turns over to the state. This means that the department in charge sets two base figures and the ratio between them, according to the total taxes the enterprise turned over to the state and the enterprise's total amount of wages the year before. When the enterprise has made more profits and paid more taxes than expected, it can proportionally increase its total amount of wages. The first method is actually to change the piece-rate wage system which has been practiced for a long time in the past to collective piece-rate payment by enterprise. The second method basically came from two theoretical approaches of distribution according to labor so that amount of wage is both linked to the performance of an enterprise as well as that of workers and staff. Whether as a form of distribution according to labor or as a need to reproduce the labor force, wages are not related to taxes which are collected by means of state power or to profits. To link wages with taxes turned over to the state does not hold in wage theories. It will cause uneven distribution and competition which in turn will lead to loss of control over the total amount of wages especially when the prices have yet to be revised. In the international conference on macroeconomic management held aboard the steamer "Bashan" on the Yangtze River in September 1985, many well-known Chinese and foreign economists negated this method. American economist James Tobin repeatedly emphasized that wages must not be linked to profits. He pointed out that "the control over nominal wages is an important element in macroeconomic management. China must not ease her control in this respect." He also said that "in China wages have hitherto been decided by central government resolutions and not by the market mechanism. This is a very favorable factor for the effective implementation of distribution of income." (Footnote 3) ("Economic Reform and Macroeconomic Management—A Critique of the International Conference on Macroeconomic Management," "JINGJI YANJIU," No 12, 1985) Such an emphasis on macro-wage management is very insightful.

However, since reform is taking place, it is unrealistic to assume that the traditional control over the total amount of wages will remain unaffected. Although most enterprises still control the absolute amount of their wages and withdraw cash from the bank with a pass book, and the linkage between the total amount of wages and the taxes turned over to the state is practiced experimentally in only a handful of enterprises because enterprises are allowed to retain profits and even implement the contract responsibility system, they can decide on the use of increasing amounts of profit. Therefore, enterprises can spend their profits on bonuses, and this is beyond the control of the total wages method. Therefore, although complete linkage between wages and profits is not practiced in too many enterprises, semilinkage between bonuses and profits is rather common. What theoreticians view as unfeasible is commonly adopted in practice in order to invigorate enterprises and mobilize the initiative of workers and staff.

China's economic reform started from the stimulation of interest, the process of enterprise reform is at the same time the process of reduction of taxes and concession of profits. In 1979, state-run enterprises retained a profit of 9.6 billion yuan. In 1980 to 1985, it was 14 billion yuan, 16 billion yuan, 21 billion yuan, 29 billion yuan, 35 billion yuan, and 46.2 billion yuan, respectively. Profit retained by enterprises comprised 12.3 percent of the realized profit in 1979. In 1985 it rose to 39 percent. (Footnote 4) (See Xiang Huaicheng: "Chinese Finance Progressing in Reform," "CAIZHENG YANJIU" [FINANCIAL RESEARCH], No 2, 1987) The percentage went up even higher in 1986 and 1987, after the implementation of the contract responsibility system. Taxes are reduced and profits are conceded so that enterprises can have financial autonomy and in turn strengthen profit motive. However, due to the lack of a mechanism to integrate long-term and short-term interest, enterprises spend most of their retained profits on increasing the short-term income of workers and staff and maximizing their welfare. This has resulted in the process of tax reduction and profit concession, increased profit retained by enterprises, and increased bonuses and welfare. This process has adversely affected the overall management of wages.

#### IV. Income Competition and the Erosion of Profits by Wages [subhead]

Wages and profits originally exist as two opposing economic spheres. In the commodity economy, wages and profits in an enterprise stand for the interests of two groups, namely, the interest of the laborer, and that of the owner. While the laborer pursues maximum wages, the owner also pursues the maximum profits. This conflict results in a rate that adjusts wages to labor productivity and that satisfies the need to reproduce the labor force. The well-known Douglas (Paul H. Douglas) production function  $P$  equals  $bL(k)C(i)$  illustrates the opposing relationship between wages and profits. Although profit on capital  $i$  can be higher or lower than  $l - k$ , it is

still derived from  $l - k$ . Although the growth of profit can lead to some degree of wage increase, it is only a result of continuous reproduction. It does not signal the disappearance of the opposing relationship between wage and profit.

Theoretically, the reform measure of half linking wage to profit blurs the opposing relationship between wage and profit. In practice it leads to the erosion of profit by wage. The intention of the reformer is to set fixed proportionate relationships between wage and profit. The enterprise that is well managed will make more profit and in turn can proportionally give better wages to its workers and staff. The intention is not to let wage erode profit. The issue is: To reach the goal as designed, corresponding external environments and change of an enterprise's internal mechanism are required. Otherwise income competition may result and the proportionate relationships between wage and profit will change.

In external environments, an important task of the reform is to rationalize economic parameters such as pricing, to enable enterprises to operate autonomously. However, worries about possible risks resulting from rationalized prices have prevented decisive revision of distorted relative prices. Some commodities are high price and high profit and others are low price and low profit. This phenomenon is rather common. In the contract responsibility system which was introduced under distorted prices, the contract ratio cannot possibly be standardized. Instead, each enterprise can only compare with its past profits and set up a base figure and a ratio on its own. In so doing, administrative coordination in the form of bargaining is inevitable. In addition, due to the existence of the dual-price system and difference among domains in the pace and degree of opening up in pricing, the strength of the market mechanism also varies according to department, locality, trade, enterprise, and even product. Therefore, after setting a contract base figure, some enterprises can easily exceed that figure, whereas others can hardly do so because of tight constraint from planning. As a result, the level of profit retained also varies. In 1985, the per capita retained profit was about 800 yuan for industry, 1,000 yuan for commerce, and 2,600-2,800 yuan for enterprises in supply and marketing of material resources. In industry, the profit retained per capita was as high as 4,571 yuan for the automobile industry, and only 447 yuan for the textile industry. (Footnote 2) (Ibid) Such a gap in profit retained per capita has caused uneven reward among departments, trades, and enterprises. With the implementation of the special policy, in enterprises with a high per-capita retained profit, the bonus for each worker or staff can reach 2,000 yuan a year. In enterprises that do not implement the special policy, the laborer is given only one-fifth or one-tenth of the bonus of the former for the same labor he contributes. (Footnote 5) (Ibid) The former group of enterprises become models in the issuing of bonuses, whereas the latter group think that these bonuses are not a reward for good work but are rather generously given by a partial "father." Therefore, the



latter demand equal treatment in the form of parallel reward. Flexibility in the contract base figure makes parallel bonuses a possibility, and loopholes in the management through costs enables those who obtain little bonus to be paid in kind. Therefore, enterprises compare with each other and such comparison cannot be stopped. This shows that an external environment for equal competition is needed in order that the "two-tier distribution according to labor" theory of linking wage to profit be realized. Only when economic parameters such as pricing and taxation are rationalized and when uneven reward is revised can the distribution between the state and enterprises be standardized, the profits retained by enterprises be truly linked to their economic benefits, income be proportional to the labor of workers and staff, and the realization of the interests of enterprises and their workers and staff be based on their contribution to society. Only in this way can we avoid the erosion of profit by wage due to incessant comparison between enterprises.

In internal mechanism, to change the direct control by the traditional system over wage level and wage criteria, it is necessary to form inside enterprises an automatic balance mechanism between wage and profit and a self-binding force on the erosion of profit by wage. We should understand that it is reasonable for the laborer to expect as much as possible for his wages. However, since he can freely move in the labor market and there is competition in labor force supply, he will revise his wage expectations. Because of enterprises' demand for and selection of labor, those in the labor market have to be sensible about wage increase. Therefore, the wage mechanism can become self-regulatory and self-disciplined and the wage scale will not go excessively high due to comparison. However, the reality in China is that the labor force cannot move freely, enterprises have no right to choose their own workers and staff, and the laborer has no freedom to choose his job. So the enterprise becomes the permanent home of its laborers, the demand for equal income for equal labor cannot be realized through the movement and competition of the labor force, and the pressure from comparing and competing for higher wages cannot be relieved through movement in the labor force. We estimate that it will take a long time for the labor market to form and for wage to become a parameter for employment and the allocation of labor resources in China. Since the mechanism of self-discipline cannot materialize, the pressure from wage comparison and competition will possibly exist for a long time.

In our investigation of how the pressure from wage comparison becomes a reality, we also have to analyze the change in the mechanism of enterprise operation. In the traditional system, the factory director represents the interest of the state, i.e., the owner. This is not only because the factory director is appointed by his superior in the department in charge. It is also because assessment criteria show the degree of his determination in carrying out directives from above. They do not reveal the

operation of the enterprise. Therefore, without exception, factory directors seriously carry out state regulations on wage and bonus. The economic reform expects the factory director to become a new entrepreneur that represents the independent interest of the enterprise. The reality, however, is that the economic interest of the enterprise, which is separated from that of the state, is only manifested in the form of the interest of its workers and staff. The factory director's income rises and falls with that of his workers and staff. In this way, the factory director is theoretically the representative of the owner's interest in the enterprise, yet in reality he stands for the interest of workers and staff since the long-term development of the enterprise's independent interest has not taken place yet. In addition, the process of economic reform is also one of democratization of economic management. The factory director's performance during his service is subject to evaluation by his workers and staff. Since the factory director has to rely on interpersonal relationships during and after his service, he often inclines toward satisfying his workers' and staff's demand for benefits. In the distribution mechanism of enterprises in the traditional system, whether an enterprise can invest and how it distributes are arranged according to state plans. Even if workers and staff are eager for a wage increase, it is in vain if the state does not address them. The economic reform gives enterprises financial autonomy and freedom on how to use its retained profit. Retained profit can be used in two ways. First, it can be used on bonuses and welfare so that workers and staff can improve their living conditions; it addresses immediate interest. Second, it can be used on investment so that the enterprise can change and develop itself and strengthen its ability to compete; it addresses long-term interest. In the long range the two can be coordinated and unified, but in the short range they are mutually exclusive. Due to the absence of competition, enterprises do not feel the urgency and pressure of self-reorganization and self-development. In addition, they have the preferential treatment of paying back before taxation if they use a bank loan to invest. Therefore, enterprises are inclined to use their retained profit on increasing the bonuses and welfare for their workers and staff. Such a mechanism of operation further increases the possibility for wage comparison and competition to become a practice. As we understand, 80 percent of the profit retained by enterprises in the past few years has been used for bonuses and welfare. Increase in retained profit equates increase in bonus and welfare. This shows that enterprises pursue maximum income for their workers and staff rather than their own growth and development. Although various ratios have been imposed on enterprises' use of their retained profit, in reality, with the transformation of retained profit into bonuses and welfare, the erosion of profit by wage has become a common phenomenon.

#### V. The Individual's Manipulation of Income Expansion and the Buffer Function of Savings [subhead]

The erosion of profit by wage can be proved with two aspects of reality. First, the overall wage growth rate has



exceeded the growth rate of national income. Second, the growth of the average wage has exceeded that of labor productivity.

Let's look at the first aspect. In 1978 the total amount of wages of the entire society was 56.88 billion yuan. By 1980 it had reached 77.25 billion yuan, an increase of 36.2 percent. During the same period the national income had increased from 301 billion yuan to 368.8 billion yuan, an increase of 22.2 percent. Since the income of peasants grew even faster, the increase of national income was far lower than that of incomes of peasants and workers and staff. Therefore, revision was necessary. In the 3 years from 1981 to 1983, the total amount of wages grew gradually. After 1984 it grew more significantly. In 1984 the total amount of wages was 113.3 billion yuan. In 1985 it reached 138.3 billion yuan, an increase of 22 percent over the previous year. In 1986 it was 165.9 billion yuan, an increase of 20 percent over the previous year. The growth rates of national income during the same period were 12.7 percent and 7.4 percent, respectively. The growth of the total amount of wages was faster than that of national income.

Let's then look at the second aspect. In China, the average per-capita annual wage was 614 yuan in 1978, 762 yuan in 1980, 1,148 yuan in 1985, and 1,329 yuan in 1986. It increased by 116.4 percent from 1978 to 1986, by 74.4 percent from 1980 to 1986, and by 15.7 percent from 1985 to 1986. According to constant prices, the all-personnel labor productivity of independent accounting industrial enterprises under ownership by the whole people was 11,131 yuan in 1978, 12,081 yuan in 1980, 15,198 yuan in 1985, and 15,451 yuan in 1986. The increase was by 38.8 percent from 1978 to 1986, 28.5 percent from 1980 to 1986, and 1.66 percent from 1985 to 1986. Although the retail price index of commodities rose by 35.8 percent from 1978 to 1986, 25.6 percent from 1980 to 1986, and 6 percent from 1985 to 1986, after taking into consideration the price factor, the growth rate of average wage still exceeds that of labor productivity. Since payment in kind has not been included in the calculation of average wage, the actual wage growth is even higher.

Usually the erosion of profit by wage leads to dwindling investment and lower accumulation and rising consumption in the distribution of national income. It is not so in China. The proportion between accumulation and consumption in the distribution of national income was 36.5 to 63.5 in 1978 and 34.6 to 65.4 in 1979. After the revision in 1981, it was 28.3 to 71.7. In 1985 it rose again to 35.3 to 64.7, and in 1986 it was 34.6 to 65.4. Therefore, some economists argue that there is insufficient data to prove the view that the expansion of investment has been replaced by the expansion of consumption in China in recent years, and that expansion of consumption is a major danger in Chinese economic development. The reason is that although wages have grown fast, consumption has not grown correspondingly. Savings have been playing the regulatory function of

buffer. In the 30 years from 1949 to 1979, the total amount of savings of urban and rural dwellers did not exceed 28.1 billion yuan. However, in 1980 alone it increased by 11.8 billion yuan. It has continued to grow since then. From 1981 to 1987, it increased by 12.4 billion yuan, 15.1 billion yuan, 21.7 billion yuan, 32.2 billion yuan, 40.8 billion yuan, 61.4 billion yuan, and 83.8 billion yuan, respectively. At the end of 1987, the savings balance of rural and urban dwellers was 307.5 billion yuan. Due to the regulation by savings, the phenomenon of expanded consumption due to the erosion of profit by wage has not appeared in China. Therefore, we believe that to say the individual can manipulate the expansion of income is a more accurate way of describing the phenomenon of total wage growth exceeding national income growth and average wage growth exceeding labor productivity.

The Chinese economic reform has thought about shifting the main body of investment from the state to the enterprise. One of the reasons for the state to reduce tax and concede profit is to empower the enterprise to transform and develop itself and to encourage it to invest the profit it has retained. However, the erosion of profit by wage has made the enterprise convert most of its retained profit into wage. It has to secure help from the bank for capital needed to transform and develop itself. The savings of workers and staff in the bank return to the enterprise in the form of a bank loan. Therefore, although the rate of accumulation is still high, there has been change in the source of income. We can predict that as long as the relationship between wage and profit continues to blur and the erosion of profit by wage goes on, the enterprise will depend on the bank more and more heavily to invest.

China's high savings ratio in recent years is unusual whether compared with developing or developed nations. For example, in 1986, the total amount of wages of workers and staff increased by 18.1 billion yuan, and the savings in towns and cities increased by 41.4 billion yuan. The latter was 13.5 billion yuan more than the increase of the previous year which was 27.9 billion yuan. The marginal propensity to save reached 0.74. We predict that if this marginal propensity to save continues to develop, by the end of 1990 the balance of savings of urban and rural dwellers will reach about 600 billion yuan. This is a special phenomenon. It is not convincing to see it all as saving money for purchases. If we see it as a normal phenomenon, it cannot be explained with popular savings theories, including the theory that one saves more during the prime of his life. Therefore, whether the higher savings ratio can continue for a long time and whether new measures are needed is worthy of serious study.

Under normal conditions, while income grows fast, growth of consumption tends to be relatively low, but afterwards consumption will catch up. In consumption, collective consumption is influential. Whether it advocates frugal or luxurious consumption and whether the

demonstration effect of consumption spreads fast or not will greatly affect the rate of consumption growth. Due to their poverty in the past, it is common for the people to accumulate some savings just in case they will need them. However, in the absence of an outlet for financial investment, if the motivation behind savings is to be prepared for possible future needs and not inheritance, the savings will be less attractive once they reach a certain stage. Therefore, savings can only play a buffer and lagging function to the expansion of consumption, and the marginal propensity to save will gradually go down once it has reached the peak. By then, if the mechanism that allows wage to erode profit still exists, the danger of the individual to manipulate income expansion and convert it to consumption expansion will increase. Therefore, although at present the change from investment expansion to consumption has not become a reality, in the future it may be a major cause stimulating and leading to consumption expansion.

#### VI. Cost-Push Price Inflation is Still on the Rise [sub-head]

In the traditional system in China, the prices of and profit from products produced by enterprises are not related to the benefits of the enterprise and the income of their workers and staff. The profit motive of raising the prices of products does not exist in the enterprise. China has been denying the theory of cost-push price inflation. Now things have changed. With the introduction of the contract responsibility system, enterprises can make more profit by raising product prices and in turn retain more profit and issue more bonuses. So enterprises are more concerned about prices than before. This concern is obviously not due to the business consideration that they become more competitive with larger sales at a small profit. It is manifested in the following manner: In enterprises that implement the dual-price system, apart from the normal practice of obtaining more profit by selling products that exceed the quota at negotiated prices, there is also the practice of changing the planned prices of goods for allocation and supply to negotiated prices. Since new products can be given a different price, old products are usually slightly changed and then their prices can be raised considerably. There have also been requests for approval to raise the prices of old products or to set a new price by enterprises themselves. In a system wherein the wage criteria are uniformly set by the state, or in a system wherein the wage criteria are decided by the supply and demand of labor, the rise or fall of prices is related to the rise or fall of profit for an enterprise and is not directly related to wage. In China, the blurring relationship between wage and profit and the erosion of profit by wage have led to cost-push price inflation.

Of course, we are not trying to attribute the problem of price increases entirely to cost-push price inflation. We should say that the attributes include the overissuance of currency which has triggered demand, the regulation of price parity due to the low prices of agricultural products

and byproducts and primary products, and speculation, profiteering, and jacking prices which emerge in an opened-up market when the commodity economy is not developed. However, when we look at the trend of development, we must not ignore cost-push price inflation. Cost increase is already a common phenomenon in enterprises. When enterprises raise product prices, they always use rise in costs as a reason. Although it is true that many raise product prices due to a rise in the cost of raw materials, wage increase is also one of the factors leading to more costly raw materials. If the Chinese economic reform cannot resolve the problem of confusion over wage and profit, prices will continuously be pushed by the interests of enterprises and workers and staff to grow. In this aspect, the dilemma of alternate rise between income and prices in Yugoslavia should be a lesson for China.

The incessant price rise has affected the improvement of people's living standards, and the actual standard of living has dropped for some people. To make up for this, various subsidies have to be issued. Also, it is hard to check administrative units and enterprises from issuing in kind. There is great disparity in the supply of bonuses, subsidies, and goods among units, and so they compare with each other. Inside the units they are basically issued evenly. If we add them to wages, then the gap between high and low incomes is narrowing. Therefore, although China advocates widening the wage scale with the implementation of distribution according to quantity and quality of labor, in reality the jini [1015 1441] coefficient of urban workers and staff is narrowing, not widening. Egalitarianism has not disappeared due to wage reform.

Some people may complain about a wrong choice in the past. They may believe that if we used the increased wage for workers and staff over the past few years on the wage reform, the wage relationship at the microlevel might have been rationalized already, a new mechanism might have been formed, and the erosion of profit by wage would not have occurred. However, the erosion of profit by wage has happened. The individual's manipulation of income expansion is developing, cost-push price inflation is on the rise, the wage component in production cost is rising, but the economic benefit is not. They maintain that if things go on like this, the smooth progress of reform will be affected. We do not have such complaints, for things develop as a result of combined factors, whereas economic analyses cannot address all aspects even if they are not unilinear. It is not objective to complain about the past with economic analyses alone. However, if we already see the whirlpool and tempest in the course of navigation ahead, it is still necessary to give some advice so as to avoid sailing into the "Bermuda triangle."

**Reform 'Hopes' Tied to Enterprise Productivity**  
HK0308034388 Beijing RENMIN RIBAO in Chinese  
27 Jul 88 p 1

[Article by RENMIN RIBAO reporter Dai Yuqing (2071 3768 1987): "Enterprise Reform Has Placed High Hopes on You"]

[Text] China's Reform Is a Great Drama Staged on the Shoulders of Enterprises, So We Hope That They Will Be Giants Rather Than Cowards [subhead]



When talking about price and wage reform, some people will warn that this is similar to sailing across the Bermuda Triangle. As prices rise, the production costs will also be raised, and the enterprises cannot but vie with each other in raising the price of their products. Inflation will then run out of control.

Indeed, the reform ship seems to be sailing toward the unfathomable ocean. Who should be relied to head off the dangers? People devote their attention to the enterprises.

On 15 June, CPC Central Committee General Secretary Zhao Ziyang pointed out during his inspection tour in Shanxi that the crux of the difficulties in price and wage reforms is the bearing capacity, which is determined by enterprise productivity. To solve the financial difficulties and offset the price rise factor, we must also rely on raising enterprise productivity.

On 15 July, Premier Li Peng came to the same conclusion at the 2d Plenary Session of the State Council: Deepening enterprise reform is a major task at present. The further enhancement of enterprise productivity relies on in-depth enterprise reforms.

#### An Undeniable Fact [subhead]

According to the report delivered by Vice Minister of Finance Chi Haibin to the national finance conference on 15 July, in the first half of this year, the tax-profit contributions made by state-owned industrial enterprises decreased by 14.4 percent from those in the same period of last year, and losses incurred by enterprises increased by 13.1 percent. This was a major factor affecting state revenue in the first 6 months of this year.

According to the analysis of some experts, the major reason for this was the rise in industrial production costs.

The statistics of the major industrial cities indicate some worrying facts:

In Beijing, because the prices of raw materials rose, the profits made by all contracted enterprises decreased by 990 million yuan.

In Shanghai, the price of nickel, an industrial raw material, rose from 20,000 yuan to 100,000 yuan per ton.

In Guangdong, the cost of raw materials in the first 6 months rose by 37.2 percent....

We do not need to quote other figures. An undeniable fact is that before price reform is running in full gear, the rising tide of raw material prices has surged toward the enterprises. People are worried: Will the enterprises be able to "turn the tide" and offset the price rise factor, or will they become helpless before the surging tide of price rises, or even take advantage of this opportunity to raise the price of their own products and add fuel to inflation?

#### Mr Kobayashi's Earnest Advice [subhead]

Mr Minoru Kobayashi, head of the investigation department and managing director of Japan's Kangyo Bank, recently expressed his opinion after investigating China's economic conditions: "In today's China, the excessive issuance of currency and the price adjustments correcting the distorted price structure are undoubtedly the direct reasons for the price rise. However, the reason at the deeper level is the Chinese Government's policy of giving overly 'generous' preferential treatment to the enterprises."

The "generous" or munificent conditions that the enterprises in our country can enjoy include the following aspects:

First, the unreasonable "upside-down" price structure. In our country, wages always stood at a low level, so the production costs should also be quite low no matter how high the processing degree. A reasonable price structure should be characterized by "higher prices for raw materials and lower prices for final products." However, the current price structure is just the opposite and is characterized by "lower prices for raw materials and higher prices for final products." As a result, even the processing enterprises which did not make efforts could still make profits.

Second, under the current system, the enterprises only bear responsibility for their profits and do not bear responsibility for their losses. They do not face the danger of bankruptcy and the pressure of competition, and the workers do not face the risk of losing their jobs. If they incur losses in business, they only need to tell the state authorities of their difficulties and request more assistance or subsidies. Although this state of affairs has been changed somewhat in recent years through the reforms, the enterprises still bear too little responsibility for their losses and can still depend on state subsidies to maintain their existence. For this, Mr Kobayashi said: "The Chinese enterprises are spoiled children, and the Japanese will certainly feel envy at this."

Mr Kobayashi's remarks were a bit sharp, but they called for deep thought.

Through comparison with conditions in the developed countries, we may find that the productivity of our enterprises is too low.

The average rate of energy utilization in our country is about 30 percent against over 50 percent in the developed countries; and the output value produced from a unit of energy in our country is merely one-third or even less of that in the developed countries. Even in Shanghai, where enterprise productivity is relatively higher, the expense of energy and raw materials accounts for 84 percent of the industrial production costs, and this is also much higher than that in the developed countries. As for labor productivity, the wealth created by each worker in



our country in 1984 was only one-twenty-seventh of that of Japan, one-thirty-third of that of the United States, and one-forty-third of that in Switzerland. In recent years, the industrial productivity in our country has been improved, but the gap between our country and the developed countries remains unchanged. These figures indicate the wide gap and also show that there is a huge potential in our enterprises.

How should we tap this huge potential? Some people say that we should modernize our technology and equipment because our technological level is too low. However, some people of insight point out that although our technology is backward, our management is even more backward, so we should mainly improve our management in order to raise productivity.

#### The Negative Experience of Other Nations Must Not Be Neglected [subhead]

In May and June 1986, a delegation headed by Gao Shangquan, vice minister of the State Commission for Restructuring Economic Systems, visited Hungary and Yugoslavia and investigated their economic reforms in detail. On 14 and 16 May, Comrade Nyers, a famous economist and "father of the economic reform in Hungary," met with the Chinese delegation and recalled the positive and negative experience in Hungary's reform. He said: Hungary was facing two major dangers in its reform. First, price decontrol might cause serious inflation. Second, the enhancement of industrial productivity might give rise to surplus labor and unemployment. Meanwhile, Hungary also had to find a proper way to deal with the existing enterprises which were poorly managed. There were a number of options. For example, more financial assistance could be given to these enterprises to help them stop business losses; or according to the law of value, some backward enterprises could be forced to go bankrupt so that their assets and labor force could be shifted to industries with higher productivity. However, Hungary did not adopt the second option for a long time.

Then, some abnormal phenomena appeared.

After prices were decontrolled, the enterprises did not face any pressure, and they had no ability to offset the price rise factor. What they could do was correspondingly raise the prices of their products. Enterprises with low productivity even requested additional government subsidies or tax exemptions. As a result, a vicious cycle was formed, and the price rise led to the increase in subsidies and the decrease in tax revenue.

Comrade Puroi, first deputy director of the Planning Bureau of the Hungarian Government, said that this was a very dangerous "Bermuda Triangle" which was composed of "price, subsidies, and taxes." Kolnoi, another

famous economist and author of the book "Shortage Economics," called this "price parity return." The prices did not return to the low level, but returned on the basis of high inflation.

The international experience in price reforms tells us that the higher the degree of enterprise responsibility for their profits and losses, the stronger the power to pass through the "Bermuda Triangle."

#### Hopes Are Placed on the Enterprises [subhead]

At present, the enterprises in our country are like soldiers who will start to fight. They stare at the ongoing price reform with mixed feelings. However, some enterprises have had worrying reactions to price reform. They did not make efforts to tap their potential and get ready to withstand the impact of the price rise; instead, they complained of difficulties and pleaded with the government to reduce their contracted norms so that they could shift the burden to others. Some enterprises are not afraid of the "changing tide" and they fully realize the favorable conditions: Through the contract system, they have greatly improved their management mechanisms. Although the price of raw materials has changed greatly in recent years, they have accumulated quite a lot of experience in offsetting this negative factor.

On 23 July, Beijing Mayor Chen Xitong stressed at an experience exchange meeting of labor combinations in the Beijing municipal commercial industry: "In order to enliven the commodity economy, we should advocate business competition. If cadres' 'iron chairs,' and workers' 'iron rice bowls' and 'iron wages' are not changed, our management will not be suited to the changing conditions of a commodity economy. Only by smashing the three 'irons' can we raise enterprise productivity." His words hit home on the current failings. To carry out reforms, we cannot be too softhearted and must resolutely let the good defeat the bad and let the bad be eliminated. Entrepreneurs with courage and insight may realize that price reform will force the enterprises to fight with their backs to the wall, so they will have to make all efforts and mobilize the rank and file to fight desperately. This may accelerate the forming of new management mechanisms in the enterprises, thus effectively invigorating them and opening up a smooth path for the entire reforms.

In the reform process, it is inevitable that good enterprises will win in competition and some bad enterprises with low productivity will be eliminated (in the form of going bankrupt or being merged). This will bring prosperity to all enterprises in China, and will enable them to nudge the big door open with their powerful shoulders.

All Chinese enterprises should make mental preparations for greeting this crucial juncture of the reforms.

**Vice Minister Discusses New Enterprise Law**  
*OW0308075488 Beijing XINHUA Domestic Service*  
*in Chinese 1457 GMT 30 Jul 88*

[Text] Beijing, 30 Jul (XINHUA)—The "Law for State-Owned Industrial Enterprises of the People's Republic of China" will become effective as of 1 Augst. Zhang Yanning, vice minister of the State Commission for Restructuring the Economy and chairman of the Committee for Guiding Enterprises of the State Council, spoke to a XINHUA reporter today on how to implement the "Law for State-Owned Industrial Enterprises." He said: Following the implementation of the "Law for State-Owned Industrial Enterprises," various localities, departments, and enterprises must firmly respect the serious nature of the law, do things in accordance with the law, promote and deepen the reform of enterprises, and set up socialist enterprises with vitality and high economic results.

Zhang Yanning said: At present, in implementing the "Law for State-Owned Enterprises," the most important things are to study this law well, properly apply it, and do things firmly according to it. Leaders at various levels, especially plant directors, and the broad masses of staff members and workers must enhance their understanding in the significance and role of the "Law for State-Owned Enterprises" and strengthen their sense of the legal system. From now on, contradictions within enterprises and with other units should be adjusted by the "Law for State-Owned Enterprises"; right or wrong should be judged by it; and the responsibility of violating laws and regulations will be affixed by it, together with other laws. We will gradually bring enterprise production and operation in line with the legal system. At the same time, we should strengthen the implementation of various laws.

In implementing the "Law for State-Owned Enterprises," we should firmly respect the serious nature of law from the outset and pay attention to understanding the situation in implementing the law. All enterprises must strictly operate in accordance with the law.

The "Law for State-Owned Enterprise" will keep enterprises within the bounds of their proper activities and protect the interests of the state and consumers, as well as protecting the legitimate interests of enterprises. Financial, banking, auditing, and tax departments and administrative departments for industry and commerce should act according to the "Law for State-Owned Enterprises" to improve their control and supervision and strictly implement the law. Judicial and supervisory organizations should also strictly implement the "Law for State-Owned Enterprises" in cracking down on all activities in violation of the law. Press circles should do a good job in supervising the implementation of the law and expose all actions which interfere with the production and operation of enterprises.

Zhang Yanning pointed out: Concerned departments of governments at various levels should do their best to ensure the implementation of the "Law for State-Owned Enterprises." According to the requirement of the "Law for State-Owned Enterprises," concerned government departments should change their functions and provide services for enterprises according to the mechanism of "state adjustment of the market and the market-guiding enterprises" and enforce control and supervision over enterprises according to their responsibility. Besides the power entrusted by the law, concerned government departments must not wantonly interfere with the normal production and operation of enterprises; must not apportion to enterprises the obligation of furnishing manpower, supplies, or money; and must not demand that enterprises set up offices to suit the work of government departments. Enterprises may, according to the law, resist or demand cancellation of actions by the government or concerned departments which interfere with their operation or infringe on their legitimate rights. If the government or concerned departments refuse to stop such action, enterprises may appeal to higher authorities or supervisory departments. Zhang Yanning hoped that various government departments concerned would examine their work according to the "Law for State-Owned Enterprises" and safeguard the enterprises' position as legal entities in their independent commodity production and operation.

Speaking on the work of implementing the "Law for State-Owned Enterprises," Zhang Yanning said: The "Law for State-Owned Enterprises" is a "constitution" for enterprises, which sets forth rules for the behavior of enterprises. Enterprises must do things according to the "Law for State-Owned Enterprises" to have order in their activities and promote material and spiritual civilization. First, enterprises must strengthen their sense of legal system and operate within the scope of law. The legitimate rights of enterprises, staff members, workers, and plant directors must be protected according to the law. Enterprises themselves must keep their operation within the bounds of law, do business in a legal manner, pay taxes according to the law, be honest, have good credit, observe contracts, and refrain from infringing on the interests of the state and consumers. Second, it is necessary to conscientiously implement the system of having the plant director assume full responsibility. The party organization of an enterprise and all staff members and workers must respect the power and authority of the plant director according to the "Law for State-Owned Enterprises" and support the work of the plant director. On the other hand, the plant director should also conscientiously accept the party committee's supervision and respect the democratic management rights of representatives of staff members and workers. Third, it is necessary to strengthen the democratic management of enterprises. Under the condition in which the plant director assumes full responsibility, it is particularly important that the democratic rights of staff members and workers be respected and the role of the congress of staff members and workers be fully developed, so as to implement



the democratic management system of enterprises. Only when we integrate the operator's authority with the democratic management of staff members and workers can an enterprise have full vigor and vitality.

Zhang Yanning emphatically pointed out: The "Law for State-Owned Enterprises" is to standardize and legalize the achievements of reform in various enterprises during the past 10 years and is a product of deepening the reform of enterprises. The implementation of the "Law for State-Owned Enterprises" will create favorable conditions for deepening the reform of enterprises. In the course of implementing the "Law for State-Owned Enterprises," various localities should attach importance to the following five points: 1. It is necessary to seriously implement the system of letting enterprises have the decisionmaking power in line with the principles of "the separation of ownership and operation" and "the separation of the functions of the government and enterprises." We should improve, deepen, and develop the contract responsibility system. 2. It is necessary to continue to probe other forms in separating operation from ownership and actively try the joint-stock system at selected units. 3. It is necessary to develop the lateral ties of enterprises and promote the reasonable organization of enterprises. 4. It is necessary to improve the distribution system of enterprises and improve the work assignment system. 5. It is necessary to promote modern management methods, raise the economic results of enterprises, and establish a new mechanism for enterprises.

**Rapid Development of Rural Enterprises Reported**  
HK0208055788 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0934 GMT 26 Jul 88

[Report by Shi Fu (4258 1133): China's Town and Township Enterprises Open the Door to the Outside World"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 26 July (ZHONGGUO TONGXUN SHE)—Since China implemented the policy of reform and opening up, its town and township enterprises have developed very quickly. They have increased by 20 to 30 percent each year. It is reported that China now has 17 million town and township enterprises with 88 million workers. The gross industrial output value of the town and township enterprises in 1987 amounted to 476.4 billion yuan; accounted for half of the rural gross output value; and was equal to the gross industrial output value of the whole country in 1975.

When the town and township enterprises were first set up, a principle of "three for's," namely, doing everything for agriculture, doing everything for the rural people's livelihood, and doing everything for the major urban industries. However, gearing production to the needs abroad and doing everything for export has actually been more prominent. Especially in coastal areas, the export of town and township products has grown sharply. According to statistics, in 1987, the amount of these exports reached \$5 billion, about 15 percent of China's total exports.

Gearing production to the needs abroad by the town and township enterprises of two provinces—Guangdong and Fujian—has been most prominent. The amount of products exported last year by counties in Guangdong including Shunde, Dongguan, and Zhongshan, was more than \$100 million. The total amount of export products delivered by the enterprises of Fujian Province in the first half of this year reached 410 million RMB yuan, an increase of 90 percent over the same period last year.

In north China, many town and township enterprises have scored outstanding achievements in foreign trade and exports. The area of Xingji Town of Cangzhou in Hebei Province, which borders on the Bo Hai, is less than 3 square kilometers; its population is only 12,000 but it produces hog bristles, leather hat brims, sheep's wool, jacquard woollen textiles, garments and plastic products and exports them to the places including Japan, Western Europe, United States, Soviet Union, Canada, Romania, Singapore, Hong Kong and Macao, earning approximately \$10 million in foreign exchange each year. In Wuxi County in Jiangsu Province the town and township enterprises are the most prosperous in the whole country. The whole county has 168 town and township enterprises altogether with some 200 kinds of products for export.

In the past, the export products of these enterprises were mainly handicrafts, rough semifinished products, industrial raw materials, primary mineral products, simple processed mechanical accessories and low-grade garments. Over the past few years, following the improvement in the management and technological levels, a lot of high-grade and middle-grade textiles, garments, machinery and domestic electrical appliances have entered the international market and 16 international gold and silver medals and prizes for superior quality have been won. For example, garments made in Wuxi, Jiangsu and Qingpu, Shanghai, electrical fans made in Foshan, Guangdong, domestic electrical appliances made in Shunde, toys made in Dongguan County, and carpets and rugs made in Zhuoxian County, Hebei have sold well on the international market.

Town and township enterprises can be found everywhere in our country; they have a large labor force and ample resources; operate flexibly; and have relatively large decisionmaking power. They are an important force for economic construction and fresh troops for foreign trade and export in China. The issues on strengthening leadership, working out plans in a unified way and improving enterprise management and the technological level have now been put on the agenda of the Chinese Authorities.

**NPC's Chen Muhua Addresses Economic Forum**  
SK0308004688 Hohhot Inner Mongolia Regional  
Service in Mandarin 1030 GMT 1 Aug 88

[Text] On the afternoon of 31 July, Chen Muhua, vice chairman of the NPC Standing Committee and chairman of the Financial and Economic Committee, gave a



speech at the third forum on the financial and economic work of the People's Congresses of five north China provinces, regions, and cities. She pointed out: Legislative work should be carried out in coordination with the economic structural reform plans.

Chen Muhua said: Strengthening economic legislative work is essential to establishing a new order for the socialist commodity economy. We have scored brilliant achievements during the 10 years of reform. However, some economic and social problems still remain. These problems result from a superficial reform. We should work with one heart and one mind and unite with the people of various nationalities throughout the country to support reform, to jointly overcome difficulties, to fulfill the transition from the old structure to the new, and to establish a new order for socialist commodity economy. This new order must be established on the basis of the legal system. The basic criteria of relations between the state and the localities, between enterprises and the state, between collectives and individuals, and of the interpersonal relations in our social life should cope with the objective demands of developing the socialist commodity economy, and these criteria must be standardized with the law so that all inherent social relations in our country will be gradually legalized and all social economic activities will be carried out in line with the law. Our legislative work must be carried out in coordination with the economic structural reform plans in order to cope with the progress of reform.

Chen Muhua stressed: Economic legislative work must be carried out in an active and meticulous manner. Legislation is a process of summing up the objective law and standardizing our actions. Therefore, we must conduct comprehensive investigations and study, conscientiously sum up experience and lessons, and fully grasp objectivity. In our specific legislative work, first, we must not be overanxious for quick results; second, we must not be dilatory in carrying out the work.

Chen Muhua called on the People's Congresses at all levels to strengthen ties, coordinate with each other, and continue to make new contributions to establishing a new order for the socialist commodity economy.

Batu Bagen, deputy secretary of the regional party committee and chairman of the regional People's Congress Standing Committee, presided over the forum. Buhe, deputy secretary of the regional party committee and chairman of the regional government, and Li Peng, vice chairman of the Financial and Economic Committee of the NPC Standing Committee, attended the forum and sat on the rostrum.

**Finance Minister Urges Orderly Revenue Growth**  
OW0308012988 Beijing XINHUA Domestic Service  
in Chinese 0218 GMT 2 Aug 88

[By reporter Wu Jincai]

[Text] Beijing, 2 Aug (XINHUA)—At a recent meeting, State Councillor and Finance Minister Wang Bingqian

recommended the method used by Xiangfan in Hubei Province in developing financial resources by echelon.

According to Wang Bingqian, Xiangfan's principal experience is to develop financial resources in an orderly way by using different measures for different categories of enterprises and trades:

First-echelon financial resources are those enterprises whose management, equipment, production, supply, and sales are all in a fairly good condition. The measure adopted for these enterprises is "predominantly taking revenue from them while giving them appropriate support." In this way, they can provide the government with guaranteed revenue and, at the same time, update their equipment and carry out technological transformation. This consolidates and develops the city's big revenue source.

Second-echelon financial resources are trades and tertiary industries in the developing stage. For them, the measure of "both taking and giving, and combining taking with giving" should be applied for a certain period to help them tap their internal potential, raise work efficiency, and gradually develop into a backbone source of revenue.

Third-echelon financial resources are newly established village and town enterprises and new enterprises with prospects for development. For these enterprises, the measure to be applied for a certain period is "giving them support in the main, while taking appropriate revenue from them." This measure helps them strengthen management, develop production, and become a reserve source of revenue.

It is reported that, because of the effective methods used to create and gather revenue, Xiangfan has scored an average revenue growth rate of 17 percent per annum since 1984.

Wang Bingqian hoped that financial and taxation departments in all localities would adopt this new financial management idea from the macroeconomic viewpoint and work out measures and plans suited to their respective local conditions to open more revenue sources in an orderly way.

In addition, Wang Bingqian stressed that current financial resources cannot guarantee future fulfillment of the needs of our country's construction and reform. It is necessary, he said, to emancipate the mind, study ways to create revenue, and develop and open new financial resources in a planned and organized way in order to increase our capacity for sustained revenue growth. In his opinion, there is much to do in this regard.

### Guiding Competition in Financial Trade

HK0163035488 Beijing JINGJI GUANLI in Chinese  
No 5, 1988 pp 20-21

[Article by Bo Daojiang (2672 6670 3068), edited by An Luming (1344 6424 2494): "Step Up Guidance Over Competition Within the Financial Industry"]

[Text] Competition is the natural product in the development of a commodity economy. Developing a rational and suitable degree of competition and demonstrating the special functions of the financial mechanism in the operation mechanism of socialist economy are the necessary forms and effective measures to promote the development of a planned commodity economy. However, at the present moment in the competition among banks the appearance of many new conditions and new problems has told us: Competition among banks must have correct guidance thinking, principle and method and there cannot be blind and improper competition.

At present, the problems in the competition in the financial trade are mainly manifested as follows:

1. fighting for business and thus causing waste in social labor and funds. First, they compete for the organization of savings organs, strive with each other in seeking "prize giving" savings deposit accounts, and thus expand the production cost. Suitably increasing the number of offices for the convenience of the depositors and trying their utmost to absorb social idle capital can play an active role in soliciting businesses, but at the moment the increase in the number of savings network points is much too rapid and besides, some of them do not scientifically handle their accounts while some have not paid sufficient attention to the comprehensive benefits and the geographical location of some others is not rational. In some of the county towns in Hengyang City, the population of each is less than 20,000 people and yet the financial organs have set up in each some 20 network points for savings deposits. There are also cases of willfully going against the rules and raising the interest rates. For example a post office in a certain county, scarcely after having started business for a month, when accepting 1-year deposits, besides offering the interest rate for fixed deposits, gave a "spot prize" of \$10 yuan for each 1,000 yuan in deposits. Actually, the prize money was paid out from the 2.2 per mille handling fees granted by the people's bank. The post offices, when taking in savings deposits of 1,000 yuan receive a handling charge of 16.4 yuan which is an even more solid remuneration than what a specialized bank can get in organizing deposit accounts. As a result their enthusiasm runs high. According to a survey of the savings unit of the Nanyue Zhusheng cooperative society, the unit started soliciting savings deposits with prize giving. On the same day, its balance amounted to 110,000 yuan. But also on the same day the savings deposits of the commercial bank dropped by 35,000 yuan, the agricultural bank's savings deposits likewise dropped by 18,000 yuan while other cooperative societies' deposits dropped by

30,000 yuan. This illustrated the high percentage of deposits having been transferred from one source to another. Obviously, by so doing not only is it disadvantageous to the stability of the normal financial order but also it cannot help absorb social idle funds. Again for example in 1978 some specialized banks and the association of cooperative societies jointly carried out a campaign to solicit prize-giving savings deposits for the purchase of residences and goods, some of the banks made use of the relations in credit or other relations with the enterprise units and more or less forced the units to make the purchases and to do so the enterprise units had to make use of their circulating funds or the welfare benefits funds of the staff member and workers. In granting loans the practice of seeking the "best meat" is relatively prominent. Due to different specialized banks' financial strength and the actual amounts of available funds on hand, it is reasonable that when one specialized bank fails to supply all the funds that an enterprise with true repute in business needs, another specialized bank comes to the rescue and fills up the gap; but the problem is that there are frequently cases when specialized bank A intends to tighten the granting of a credit to an enterprise whose products do not sell well and produce poor effects, specialized bank B would come along and offer more lenient conditions for support. It is hardly possible to make use of credit and loan as a lever to make the enterprises strengthen their operations and management. Rather, it enables enterprises to take advantage of the loophole formed by competition between the banks and reduces the effects of the utilization of funds.

2. Opening accounts in many banks, making loans from different banks and thus adversely affecting the display of the effects of the utilization of funds. At present many enterprises have opened accounts with several specialized banks and obtained loans separately from them. This frequently breeds a situation of this kind: When the expiry date of an enterprise arrives and specialized bank A asks for repayment, the enterprise transfers the funds received from the sale of the goods covered by the bank loan to its deposit account in another specialized bank and when the loan from another specialized bank expires, the enterprise likewise transfers the funds to still another bank, and so on. Since there is no arrangement between the banks to deduct funds from client's account and transfer them to its counterpart, this forms a case of inability to collect loans that have become overdue. It thus seriously affects the utilization effects of credit and loan funds. What is worse is that employees of basic level organs of specialized banks stand on the side of an account-holding unit and even though there is money in the account, when entrusted to collect on accounts due they would unreasonably refuse payment on the plea of "lack of funds." This leaves the legitimate rights of the two parties of the transaction sadly unprotected.

3. Unevenness in the degree of leniency of strictness in implementing policies and the issuance by many banks of bonds thus helping the inflation of fixed assets and aggravating the contradiction between supply and demand in



social funds. Some specialized banks have deliberately loosened up their conditions for granting loans or lowered the bank loan interest rates, and for the sake of seeking more clients have freely granted loans even though the circumstances are questionable. For example, one specialized bank found that a request for loan for expansion by a pottery plant producing glazed tiles should not be granted because on the bases of a survey it was disclosed that the production capacity of glazed tiles in the whole province had reached or would seem to have exceeded the quantity of market demand but another specialized bank transferred a large sum (several million yuan) and helped the pottery plant expand. In addition, the issuance by many financial concerns, trust companies and governments at various levels of bonds may help the shifting of shorter term funds to becoming long time funds and the shifting of funds comprehended in the state budget to extra-budgetary funds. For example, in Hengyang City, in 1987 many financial organs and the government issued bonds amounting to over 2 million yuan. Despite that a portion of the bonds did absorb idle funds, yet a rather sizable portion of the bonds was bought out of funds from fixed savings accounts and this source of funds had been intended for use by the enterprises as circulating funds. In our opinion, if the floating of bonds is not done in a controlled manner, there is the possibility of its becoming another channel in disguise for enlarging the scale of loans for fixed assets and thus serving to bring about an imbalance in the total supply and total demand for social funds.

4. Letting up supervision and neglecting control of the funds. Specialized banks being economic organizations charged with the functions of operating and managing monetary funds, for the sake of seeking the utmost combination of the macroeconomic benefits in the use of funds and the banks' benefits, they should be required to strengthen their supervision and control of the use of funds by the enterprises. Unfortunately, some of the specialized banks fear that strengthening supervision may drive away clients and therefore have not devoted much efforts to the control of the enterprises' funds. They do not punish the enterprises for irregularly making use of the circulating funds, fail to collect any fines for such misuse of funds, or to collect any fines for issuing checks which cannot be cashed because of lack of funds, and as a result the situation becomes one of allowing unrestrained freedom.

What are the causes for the appearance of the above-mentioned problems in the competition among the specialized banks? First, the specialized banks have not yet cultivated and realized commercialized operations, and responsibility, right, and interest have not been organically combined. Thus, they do not care about the production cost of funds, do not bear the risks of loans (because they are all state banks) and to them it doesn't matter if the interest rates for loans are raised or lowered. So far as the operators or managers are concerned, there is little concern with whether the management is good or poor. Second, in the competition among the specialized banks, their internal and external environment is still not lax enough. Externally, there are such factors as the

contradictions between general supply and demand for social funds being prominent and outstanding, the state's financial deficits, in the national economy certain relations not having yet been put in order, the central bank's weak controlling and regulating functions and failure to accord correct guidance or rectification of the irregular practices in competition among certain specialized banks, and so on. Internally in the specialized banks, from top to bottom there is a lack of desire for competition. Thus, once the matters of pushing business and engaging in competition are brought up, actual work immediately displays characteristic of doing things blindly. In accordance with the current conditions of the competition among banks, active guidance over them is sorely needed. Therefore the following points should be noted:

First, we should firmly grasp the formation of the relevant conditions and methods governing business competition among specialized banks. The People's Bank should firmly grasp the drafting of the regulations and methods related to competition among the financial trade, and should clearly specify the guiding ideas, purposes, contents, methods, principles and the standard of observance relative to competition among the specialized banks and non-banking financial institutions (including credit cooperatives and postal savings bureaus). Infringement of a certain regulation (such as raising in disguise interest rate on deposits, lowering interest rates on loans, disturbance of normal financial order, and so forth) should be subjected to adequate punishment. Proper and legitimate competition should be encouraged and competition of a destructive nature should be opposed and prevented.

Second, we should foster and train about the wishes and knowledge in competition, increase the competitive capability and learn the techniques in competition. Following the appearance of various currency forms and forms of merging funds, the whole body of cadres, staff members and workers in the financial sector should earnestly learn and understand the guidelines and policies of the party and of the state. Learn competition and conscientiously set up the concepts of "deposits first," "depositors first," "service first," and "reputation first."

Third, the People's Bank should put their role of regulation and control into full play and at the same time should create the conditions for the various financial organs to develop competition under conditions of equality. The People's Bank should further strengthen its administrative control, auditing and inspection of the establishment and business contents of the various financial organizations, should fully display its functions of coordinating, controlling, supervising and guiding and should not allow them to operate of their own accord. Regarding the raising, merging, and use of funds on the part of the various financial organizations, the central bank should provide equal conditions so that they can develop competition on the same starting track. For



example, the People's Bank's subsidy given to specialized banks on the savings deposits interest-differential has dropped from 2.1 per mille to 1.2 per mille, in absorbing savings deposits, the various specialized banks have to pay out a comprehensive monthly interest rate as high as 6.1 per mille, whereas the monthly interest rates and other fines and collections together cannot amount to a total of 7.3 per mille. This makes it necessary to consider the specialized banks, in granting loans having to additionally collect roughly 2 to 3 per mille reserve funds for credit and loan risks. This is hardly as substantial or remunerative as postal savings getting 2.2 per mille net in handling fees and also not as flexible as the interest rates charged by the cooperatives. Hence, it is suggested that the People's Bank slightly increase the savings subsidies accorded to the various specialized banks so as to arouse the latter's enthusiasm for raising more funds.

Fourth, we should speed up the steps in the reform calling for commercialization of the specialized banks and tightly grasp enforcement of the funds contracted management responsibility system so that responsibility, power, and interest can be joined together in an organic manner.

Fifth, the various specialized banks and other non-banking financial institutions should all handle well the relations with the local party and government organs, People's Bank, various brotherly specialized banks, other financial organs and enterprises, departments-in-charge of enterprises and other comprehensive departments. They should respect each other, learn from each other, supplement each other, take all matters into consideration, and engage in competition, rationally, profitably, and in a measured manner. Definitely it should never happen that because of the partial interests of one specialized bank, damages and adverse effects result to the social benefits at large.

**State Set To Decentralize Investment System**  
*HK0208013088 Beijing CHINA DAILY in English*  
2 Aug 88 p 1

[By staff reporter Qin Xiaoli]

[Text] The State Council has launched an across-the-board reform of China's investment system which will affect the distribution of tens of billions of yuan a year in State investment.

The State Planning Commission, which formerly controlled all capital investment projects in the country, has delegated some of its decision-making powers to six newly-established companies dealing with central government projects.

In the past, the commission also held the purse strings for projects in the provinces, so local developers involved in those projects would turn to the commission every time they needed money.

Under the reform, the commission will give up such powers and the local developers will be responsible for their own projects from now on.

The State Council decision, announced in a document entitled "A Plan of Reforms of Investment Management System in the Coming Years" calls for a further reduction of direct State control over capital investment.

The six new companies specialize in energy, communications, raw materials, agriculture, forestry and manufactured goods including machinery, electronics, light industries and textiles.

Each one enjoys the same rights as any other economic body in the country. They will undertake State investment projects and are free to develop in their own specialized fields.

The State Council has given the six new companies legal rights to set up joint ventures or solely-owned firms both at home and abroad. They can also ask banks to issue bonds for them both at home and abroad.

"This is a major comprehensive reform of the country's investment system," said a planning spokesman.

"It is an important step towards setting up a new order of socialist commodity economy."

Large long-term capital investment projects will still be controlled by central government, but commonplace projects will be left to market regulation.

A bidding system will be introduced in all construction projects to control project planning, locations, project contracts, supplies of materials and the building work itself.

These were formerly decided at an annual national planning conference. Developers will now have to succeed in bidding rooms rather than conference rooms, the planning official said.

The document draws a clear line between the responsibilities of central and local governments and declares that the central government will only take care of major national projects such as those involving energy and raw materials, communication, key scientific research, harnessing of major rivers and aid to under-developed areas.

A central government capital construction fund will be set up this year to ensure a steady supply of money for national key projects.

The money, which will come from the State budget, will be stored in a special account with the Chinese People's Construction Bank.

The six new companies or others who win bids to undertake national projects will be entitled to use the money.

Chinese factories will gain more independence as a result of the reform. They will be able to make their own investment decisions and enjoy full autonomy over the returns from their investment.

Meanwhile, the Ministry of Construction is drawing up two sets of regulations concerning supervision and management of capital construction.

**National Energy Investment Company Established**  
*HK0208135588 Beijing CEI Database*  
*in English 2 Aug 88*

[Text] Beijing, (CEI)—China set up a national energy investment company in mid-July.

The company is of the character of an enterprise under the leadership of the State Council. It is engaged in investing, developing and managing state investment in fixed assets of coal, electricity, energy-saving, nuclear power and petrochemical industries.

The company has the function of a control company which ensures and increases the value of funds as well as the function of undertaking investments aimed to implement the state policy.

It is learned that this is one of the measures to manage state investment in China's effort to change administrative methods into economic means.

From now on, the State Planning Commission and the Ministry of Energy Resources will no longer directly administer managerial investment and state investment in energy departments will be transferred by the State Planning Commission to the investment company to make overall planning. Funds of the company have to be repaid and this means that the state will no longer allocate free investment in any managerial projects.

**Caseload of Labor Arbitration Committee Grows**  
*OW3007135988 Beijing XINHUA in English*  
*0716 GMT 30 Jul 88*

[Text] Beijing, July 30 (XINHUA)—A joint venture hotel in Beijing dismissed an accountant when her employment contract expired, because the woman was said to be slack in her work.

The hotel, however, failed to inform her of the action one month in advance, as stipulated in the contract, according to today's "CHINA DAILY".

The woman brought the case to a district labor dispute arbitration committee and finally won the suit, although she was found to be really not satisfactory in her work.

This is one of a growing number of such cases handled by labor dispute arbitration committees, which started to emerge in the districts and counties of Beijing only last year. To co-ordinate and direct these committees and to handle more difficult cases concerning foreign or joint ventures, the municipal Labor Dispute Arbitration Committee was set up in April this year.

Huang Heping, deputy director of the city Arbitration Committee, told "CHINA DAILY" that the establishment of these organizations is required by the increasing numbers of labor disputes accompanying the development of the commodity economy in the country.

These departments are of absolute necessity in protecting the rights and interests of both enterprises and individuals—particularly the latter, who are often neglected by enterprise leaders owing to the absence of a democratic managerial system, Huang said.

Huang said that at present, most of the cases that these committees handle are raised by dismissed workers who refuse to accept their employers' decisions.

Although almost all of them were guilty of some misbehavior—fighting, gambling or other labor discipline violations—at least half of them won their cases, like the woman in the joint venture hotel, either because enterprise leaders made the decisions arbitrarily or failed to follow procedures for firing workers.

There are now 61 people on the 18 committees in the districts and suburban counties of Beijing for the three million enterprise workers—one for every 50,000. They work under provisional regulations issued by the State Council on labor employment and discipline.

They vote to decide the cases after investigation and then try to mediate between the two sides. If this effort fails, they follow exactly the procedures of the court to enforce a ruling. Rights of appeal to higher courts are accorded both sides.

Last year, some 256 cases concerning the firing of workers were reported to the committees, of which 73 were accepted. The committees have settled 36 of them—32 through mediation and the rest through arbitration.

**Trade Unions Urged in Foreign Fund Businesses**  
*OW0208114488 Beijing XINHUA in English*  
*1051 GMT 2 Aug 88*

[Text] Beijing, August 2 (XINHUA)—More trade unions should be established in foreign-fund enterprises, the All-China Federation of Trade Unions (ACFTU) said today.

Only about 30 percent of the more than 12,000 foreign-fund enterprises in China have trade unions, the 13th session of the 10th ACFTU Presidium noted in approving a plan to reform trade unions in China.

In Guangzhou, capital of south China's Guangdong Province, about 80 of its 300 foreign-fund enterprises have trade unions.

The unions have helped carry out the Joint Venture Law, protect workers' legal rights and interests, and improve the relationship between owners and workers, Wang Wenzan, chairman of the Guangzhou Federation of Trade Unions said in an interview with XINHUA.

Wang said one foreign manager balked at having a union in his restaurant but later welcomed the move when he found the union was helpful to him and his workers.

The trade union reform design says that trade unions should carry out the party's opening policy and supervise the enforcement of the state laws and regulations in the enterprises.

It also says the unions should protect national and workers' interests and respect the rights of investors and enterprise-owners in order to help promote cooperation between workers and enterprise-owners and the development of the enterprises.

**Trade Union Federation Seeks Greater Autonomy**  
*OW0208122088 Beijing XINHUA in English*  
1102 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—The All-China Federation of Trade Unions has just outlined a reform strategy which includes making the organization an independent entity designed to protect workers' interests and legal rights.

With trade unions now acting as government departments, the "basic plan for trade union reform," which was approved today at the ongoing session of the Presidium of the All-China Federation of Trade Unions, stressed the importance of trade union independence and the organization's supervisory role.

Trade unions should speak for workers and protect their interests, while also guaranteeing the general interests of the state, the plan said.

The plan defines other roles for trade unions including guiding workers in reform and social and economic development, encouraging participation in national, social and enterprise management, and offering workers more training.

Mentioning the relationship between the Communist Party and trade unions the plan says, party organizations should support the autonomy of trade unions and not interfere in trade union affairs. Party leadership means guidance on political principles and major policies.

**Laws Governing Trade Union Activities Expected**  
*OW0208122188 Beijing XINHUA in English*  
1132 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—China will write a series of laws and regulations governing trade unions to guarantee their supervision of and participation in government administration.

According to the "Basic Plan for Trade Union Reform," which was approved today at the ongoing session of the Presidium of the All-China Federation of Trade Unions, these new laws and regulations will give trade unions the right to participate whenever China's State Council or ministries make important policies concerning workers.

The plan also said, the government and its departments must listen to the opinions of trade unions before setting policies on labor, wages, benefits, prices, and housing.

Under the new regulations, trade union representatives will also have the right to be a part of those special government organizations which handle affairs related to workers' interests, including wages and prices. Certain decisions will be issued jointly by government and trade unions.

When mediation of a labor dispute is needed, the document explains, a committee should be organized with trade unions representing the workers.

Trade unions should also participate in social organizations to handle pension and other social insurance funds.

Communications lines must be open between trade unions and the government to guarantee the immediate handling of important issues involving workers' interests.

The document also stressed, trade unions have the right to supervise government workers and also have the power to reprimand and even file charges against those state employees who violate workers' interests or are found guilty of corruption.

On the other hand, the document said, trade unions should carry out government policies and organize the workers to fulfil tasks set by the government.



**Jan-Jun Capital Construction Further Curbed**  
*OW0208143788 Beijing XINHUA Domestic Service*  
*in Chinese 1420 GMT 28 Jul 88*

[By reporter Wu Shishen]

[Text] Beijing, 28 Jul (XINHUA)—According to the latest figures of the State Statistical Bureau, the scale of capital construction in China was further curtailed during the first half of this year, but the sustained high rate of new starts has not abated. This situation is proof that there are still many people eager to build capital construction projects and that it remains a difficult task to suppress the scale of capital construction.

The statistics show that investments in capital construction made by units owned by the whole people reached 45.6 billion yuan in the first half of this year, up 13.6 percent from the same period of last year but down 5.7 percent in growth rate, representing the lowest growth rate in recent years. With the scale of investment being brought under control, new changes are taking place in investment growth and structure. In the first half of this year, the growth rate in capital construction investment declined month after month. Investment in nearly half of the local projects showed a decline, and the actual number of projects under construction and total area of floor space of such projects continued to drop. The proportion of investments in energy and raw material projects has climbed up. In the first half of this year, investments made by the energy and raw materials industries showed an increase of 28 and 13.6 percent respectively as compared with the same period last year. The percentage of total capital construction investments accounted for grew from 41.8 percent to 45 percent, the highest since 1985. Construction of nonproductive projects has been scaled down further. Of the total capital construction investments made in the first half of the year, the percentage of those for productive projects rose from 67.1 percent in the same period of last year to 71.4 percent while those for nonproductive projects dropped from 32.9 percent to 28.6 percent, below the target of 35 percent set in the state plan.

However, what makes people worry is the fact that new starts have not been effectively controlled and that investments not under the state plan have continued to climb. The total number of construction projects newly started in the first half of the year reached 9,254. In other words, an average of at least two projects got started every hour, amidst the din of firecrackers. The total amount of investments involved already reaches 21.2 billion yuan. Moreover, the trend shows that new starts are increasing every month. In June, the number of newly started projects reached 3,662, twice as much as that for the first quarter.

Among the smaller projects with construction investment of less than 1 million yuan, the percentage of nonproductive projects was above 45 percent. They included 33 office buildings and large halls and guesthouses. In the meantime,

alarm has been sounded with regard to capital construction outside of the plan during the first half-year. Their total investments reached 460 million yuan, up 15 percent from the same period of last year.

Sources among economic circles, commenting on this subject, said that strict control over the scale of capital construction investments is a major step taken this year. The state has made it clear that, except for energy and transportation projects and those projects for which contracts have already been formally signed, no large, medium-sized, or small project is permitted to be started. The fact that new starts were not effectively controlled during the first half of the year is calling for the attention which it deserves. In order to balance total supply and total demand, it is necessary to adopt effective measures to further scale down investments, readjust the investment structure, guarantee the construction of energy, raw material, communications, and transport projects, and seriously look into investments in office buildings, large halls, and guesthouses to stop any one which is deemed unreasonable.

**Increases in Meat, Dairy Products Noted**  
*HK0208135388 Beijing CEI Database*  
*in English 2 Aug 88*

[Text] Beijing (CEI)—The amount of livestock on hand by the end of June was 110 million heads, 3.136 million more than the same 1987 period. Of this figure, cattle accounted for 86.155 million heads, a rise of 2.788 million over the same period last year.

By the end of June, sheep on stock is 155 million heads, an increase of 13.39 million over the same period of the previous year.

The output of beef and mutton reached 548,000 tons in the first half of this year, increasing by 142,000 tons over the same period last year.

Milk output was 1.379 million tons, an increase of 13.5 percent and cashmere wool output 93,000 tons.

**Pig Production Rises During 1st Half of Year**  
*HK0208134988 Beijing CEI Database*  
*in English 2 Aug 88*

[Text] Beijing (CEI)—China slaughtered 128 million heads of pigs in the first half of this year, 3.53 million heads more than the same period last year, representing a 2.8 percent increase.

The country had 326 million heads of live pigs by the end of June, 3.66 million or a 1.1 percent increase over the same period last year.

The production and marketing of live pigs were liberalized in most provinces this year and the purchase prices greatly increased. The purchase price of pigs in Guangdong Province is 200-220 yuan per 50 kilograms, a 40

percent increase over last year. The price in Liaoning Province has gone up from 1.82 yuan per kilogram last year to 2.76 yuan, representing a 51.6 percent increase.

**Textile, Clothing Exports Continue To Grow**

OW0308100688 Beijing XINHUA in English  
0932 GMT 3 Aug 88

[Text] Beijing, August 3 (XINHUA)—China is now the world's fourth largest exporter of textiles and sixth largest exporter of clothing, figures released today by the State Statistics Bureau show.

Nearly one-tenth of the world's textile and clothing commodities bear made-in-China labels.

Exports over the past eight years have been worth 50 billion U.S. dollars. Textile exports have grown 140 percent, from 3.97 billion U.S. dollars in 1980 to 9.54 billion U.S. dollars last year.

The major markets have been Hong Kong, Macao, Japan, Singapore, Canada and the Soviet Union, a bureau official said.

**Textile Minister Discusses Markets**

OW3107044088 Beijing XINHUA in English  
0138 GMT 31 Jul 88

[Text] Beijing, July 31 (XINHUA)—Wu Wenying, the minister of textile industry, has called for a guaranteed and steady domestic market and increasing development for export.

The minister said that whenever there is a clash of interest between export and domestic sales, the domestic market should be the first consideration.

In the first half of this year, the industry's production value, sales, and profits and taxes increased respectively by eight, 14 and eight percent over the same period last year. This was despite the fact that the industry had to pay 3 billion yuan more for raw materials than in the same period last year because of price rises.

However, Wu said, the industry still fails to pay enough attention to the domestic market.

As the price structure for textile products is being reformed, customers are "panic buying" in many cities in case prices rise. Stored supplies of 31 leading knitting, weaving and industrial textile products have fallen sharply.

Wang Ping, the ministry's marketing division chief, said that the prices of cotton textile products in China are low and factories do not want to produce them.

As supplies of cotton and silk will be up on last year, the situation will gradually improve, she said. At present, the average Chinese person buys 3.7 kilograms of textile

goods a year, much less than the world average of 7 kilograms. China aims to increase the figure to about 5 kilograms per person by the year 2000.

As China has about one-fifth of the world's population and some 50 minority nationalities, there is huge potential for the domestic textile market. The ability to meet domestic demand and stabilize the market is very important and should be considered a vital task in guaranteeing the deepening of economic reform, said Wang.

Thus, there need be no fear of China's textile industry assaulting the world market.

The volume of China's exports made up only seven percent of the world total textile trade volume in that year, lower than the percentage share of South Korea or Italy.

China is rich in textile materials such as cotton, silk and flax. China's silk production is about 90 percent of the world's total, for example. So the country's textile industry is making a big contribution to the development of the world textile industry as many foreign companies use Chinese primary products as materials for further processing, Wang said.

It is true that the volume of China's textile export has increased. But, Wang said, Chinese textile products make up only about five percent of the United States' total textile imports; the figure in Great Britain is about three percent and it is just five percent in Federal Germany.

"So there is no reason to limit textile exports from China to those countries," Wang said.

In the nine years since the opening-up policy was implemented, 500 textile joint ventures have started up in China, but total investment is small, Wang said.

She said the country warmly welcomes foreign counterparts to invest in the industry, and the ministry will provide services for them in technology and equipment.

The coastal provinces and Hubei and Shaanxi Provinces are the textile industry's most developed areas in China.

The country will also stress upgrading the quality of its textile products in order to strengthen its ability to compete on the world market.

**Cotton-Procurement Market To Remain Closed**

OW3107004088 Beijing XINHUA Domestic Service  
in Chinese 1430 GMT 26 Jul 88

[By reporter Chen Yun]

[Excerpts] Beijing, 26 Jul (XINHUA)—Vice Minister of Commerce Pan Yao announced here today that cotton procurement for 1988 will remain monopolized by the supply and marketing cooperative and that the cotton market will remain closed in terms of cotton procurement.

This policy has been decided after the State Council conducted a study in this connection, said Pan Yao.

Over the past few days, the National Conference on Cotton Procurement analyzed this year's situation in cotton production and procurement. The conference concluded that the situation in cotton production is fine, but the need for cotton outstrips the supply. According to statistics compiled by the conference, China's acreage sown to cotton this year totalled 80 million mu, marking an increase of 7 million mu over that of last year. The acreage sown to cotton seeds of fine strains has been expanded on a fairly large scale, while cotton farmers have also increased their investments. It is estimated that the total cotton procurement this year will be several million dan more than that in last year, if no major natural calamities are reported within the next 2 to 3 months. However, due to the increasingly high demand for cotton, a fairly large gap between supply and demand in cotton will remain. [passage omitted]

During a recent period, some localities have held different views on the cotton market. Some cotton-producing areas plan to open the cotton market after the end of the cotton-procurement period or after the fulfillment of the cotton-procurement targets in their specific areas. Other localities advocate that cotton farmers may sell cotton to whomever they prefer. Some rural enterprises, small cotton mills, and self-employed businessmen have already made preparations to procure cotton. In this connection, Pan Yao pointed out: Cotton is something that greatly affects the livelihood of the people. With the supply of cotton failing to keep up with the demand, we will be able to meet the requirements in all sectors of life only by placing cotton procurement under state control and centralized management, closing the cotton market, and permitting the supply and marketing cooperative to monopolize cotton procurement. If we open up the cotton market, permit people to vie with each other to purchase cotton, and cause panic purchasing, a "battle for cotton" will become inevitable. As a result, it will be difficult for the state to keep enough cotton on hand, causing market fluctuations and hindering national construction and the development of the reform program. Therefore, we must strengthen our control over the cotton market, strongly advocate that cotton procurement be monopolized by the supply and marketing cooperative, and maintain a good order on the market. [passage omitted]

On the issue of building excessive cotton mills in various localities, Pan Yao said: Right now, China's capability of spinning cotton into yarn has greatly exceeded its cotton. However, some localities are still vigorously spinning cotton into yarn, adding more spindles, and building more small cotton mills. If we do not stop this trend at once, it will seriously undermine the state plans, disrupt the cotton market and impair social efficiency. It is for this reason that the minister of commerce suggests that no more spindles should be added in cotton-marketing

areas, the building of small cotton mills be suspended temporarily in cotton-producing areas, and small cotton mills already completed be straightened out and consolidated.

**Coal Production Rises, Safety Record Improves**  
*OW0208153788 Beijing XINHUA in English*  
1147 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—China's major coal mines produced more and had a better safety record in July than since the start of the year, China's Coal Corporation announced here today.

The total coal output in July was 73.55 million tons, of which 36.8 million tons were cut by major mines, respective increases of 1.09 percent and 2.36 percent over the same period last year.

Meanwhile, the death rate per million tons of coal mined in July decreased by 12.8 percent compared with the same period last year.

**State Official on Tobacco Industry Monopoly**  
*OW0208093188 Beijing XINHUA Domestic Service*  
in Chinese 1119 GMT 30 Jul 88

[Excerpts] Beijing, 30 Jul (XINHUA)—As approved by the State Council, the prices of 13 kinds of famous brand cigarettes were decontrolled and the prices of several kinds of high- and medium-grade cigarettes were appropriately raised on 28 July. In this connection, Jiang Ming, director of the State Tobacco Monopoly Administration, spoke to reporters to explain the situation.

Jiang Ming said: The decontrol of cigarette prices and the increase of prices for certain cigarettes have an important bearing on promoting the adjustment of the cigarette production structure, balancing supply and demand, guiding consumption, cracking down on black market dealings, and increasing state revenue. The tobacco industry should, through price reform, further strengthen the vitality of various enterprises, strive to increase the production of famous brand cigarettes of higher quality and improve market supply. Some comrades do not quite understand the meaning of state monopoly. They argue that since the prices of 13 kinds of famous brand cigarettes were decontrolled, market adjustments may replace the state monopoly system. This is a misunderstanding toward the state monopoly system. On the contrary, the state monopoly system and control over cigarettes should be further strengthened and improved following the reform of cigarette prices. [passage omitted]

Jiang Ming said: Monopolized management includes a number of things. The control of prices is only one issue in monopolized management. The decontrol of the prices of 13 kinds of famous brand cigarettes does not mean the cancellation of monopolized management. Besides, there are more



than 1,000 kinds of cigarettes being sold in markets throughout the country. The 13 kinds of famous brand cigarettes only account for an extremely small percentage of cigarettes in terms of total kinds of cigarette brands and total output of cigarettes. Even with those 13 brands, decontrol is only limited to price. Their production and marketing are still controlled under the state monopoly system. [passage omitted]

**Population Increase Reportedly Slows Down**  
*HK0208050088 Beijing CHINA DAILY in English*  
2 Aug 88 p 3

[By staff reporter Cheng Hong]

[Text] China's population growth slowed slightly in the first half of this year, the State Statistical Bureau reported at the weekend.

A survey of 26 provinces, municipalities and autonomous regions showed that the birthrate between January 1 and May 31 was 0.38 per thousand lower than in the same period last year.

The bureau described this as a success of the family planning policy.

According to the survey, 51.5 percent of the new-born babies—3.1 percent higher than the corresponding figure for 1987—will be only children. The survey also showed that the country's birthrate was 8.02 per thousand between January and May, compared with 8.40 per thousand in the same period last year.

The bureau expected to see a drop in the 1988 annual birthrate and forecast that the stringent policy would continue to be successful.

The survey was carried out in June among some 390,000 people in all the provinces, autonomous regions and municipalities apart from Beijing, Heilongjiang, Tibet and Hainan Island.

The survey showed that the birthrate had increased in 12 provinces and decreased in 14 provinces, municipalities and autonomous regions.

The ratio of families with more than one child was still high and 17.9 percent of the families with new additions now had two or more children. In some provinces and regions, the ratio was even higher. Many families still have more children than regulations allow.

According to the survey, China has 7.78 million more women aged between 15 and 49 than last year, and for women from 20 to 29, the figure is 5.01 million more than in the previous year.

Since the second half of last year, more attention and support has been given to family planning work, thanks to the effectiveness of the policy.

A decade ago, China started to carry out a family control policy advocating the practice of late marriage and late childbearing, meaning fewer but healthier births, and encouraging each couple to have only one child. Families in rural areas that experience real practical difficulties may have a second child in a planned way and with an interval of a few years, but under no circumstances should a couple have three or more children. Family planning is also advocated among minority groups based on their practical conditions.

According to a sample survey conducted in China last year, the country's population had reached 1.072 billion and the crude birthrate had increased from 17.8 per thousand in 1985 to 21.2 per thousand. The rate of natural growth had increased from 11.2 to 14.39 per thousand.

**Statistics Show Average Family Size Declining**  
*OW0208175888 Beijing XINHUA in English*  
1355 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—Each Chinese family had an average of 4.23 members in 1987, 0.18 less than five years before, according to the State Statistics Bureau today.

The figure was less than four for relatively developed areas, including Beijing, Tianjin and Shanghai Municipalities and Jiangsu, Zhejiang and Shandong Provinces.

However, the bureau noted that the number of families with people of three generations living together had risen slightly as compared with five years before.

The bureau attributed this to the Chinese tradition of the young taking care of their elders, and to the need of the aged to be taken care of by their children or grandchildren as the country still lacks social welfare facilities.

Officials at the bureau proposed that the government encourage three-generation families.

This is also a beneficial way of caring for those who have lost their spouses, they told XINHUA.

**CPC Committee Approves Sichuan Birth Policy**  
*HK0108021588 Chengdu Sichuan Provincial Service*  
in Mandarin 2200 GMT 31 Jul 88

[Text] The CPC Central Committee and State Council recently issued a comment on a written report from Sichuan seeking instructions on stabilizing the current birth policy. The CPC Central Committee and State Council have taken into consideration the actual situation of Sichuan's dense population and agreed to the province stabilizing the current birth policy and continuing to follow the provincial family planning regulations.

This comment was relayed on 30 July by Huang Qizao, member of the Standing Committee and secretary general of the provincial party committee, at a press briefing on family planning held by the provincial party committee and government.

During the briefing, Vice Governor Han Bangyan first reported on the relevant situation in family planning work in the province. He said: Due to the fact that Sichuan's population is too big and the population density is 41 percent higher than the national average, plus the effect of the 13 year-long peak birth cycle, some 1.3 million young couples are entering the age of marriage every year. The task of family planning is rather arduous. We must unswervingly implement the province's existing policy on birth, which has been approved by the central authorities. While strictly controlling population growth, we must vigorously improve population quality.

Huang Qizao said after relaying the central comment: The central authorities' note represents great support and also a great spur for family planning work in the province. We must mobilize all sectors of society to support family planning work and resolve the problems of having more children than allowed, early marriage and child-bearing, and so on. We must ensure the fulfillment of the target of keeping the province's population below 120 million by the end of the century.

**Decrease in Total Farmland Noted for 1987**  
*HK0208135188 Beijing CEI Database*  
*in English 2 Aug 88*

[Text] Beijing, (CEI)—China's total farmland fell down by 340,000 hectares in 1987. The decreasing speed was much slower than the previous years.

The figure was based on the deduction between the total decrease of 817,000 hectares of farmland last year and an increase of 470,000 hectares throughout the country.

The provinces and regions that witnessed a decrease of over 400,000 mu are Inner Mongolia, Shandong, Liaoning, Guangdong, Shaanxi and Hubei. Those that increased their farmlands are Yunnan, Xinjiang, Guangxi and Qinghai. Farmland decrease was mainly due to capital construction, which occupied 106,000 hectares last year, or about 12.8 percent of the total land decrease last year.

**Hebei Contracts To Develop Hai He Valley Plain**  
*SK0108041688 Shijiazhuang Hebei Provincial*  
*Service in Mandarin 2200 GMT 14 Jul 88*

[Text] On the morning of 14 July, the State Council and Hebei Province signed an agreement in Beijing on comprehensively developing agriculture on the plains along the coasts of the Huang He, Huai He, and Hai He.

The signing ceremony was held in Zhongnanhai. State Councillor Chen Junsheng presided over the signing ceremony. Tian Jiyun, vice premier of the State Council, attended the signing ceremony and delivered an important speech there. Responsible comrades of the departments concerned under the State Council also attended the ceremony.

He Kang, head of the state land development and construction fund management leading group and minister of agriculture; Xiang Huaicheng, deputy head of the office of the state land development and construction fund management leading group and vice minister of finance; and Zhang Runshen, vice provincial governor and vice chairman of the provincial commission for agricultural development and improvement on the Hai He valley plain areas, signed the agreement.

Our province contracted to develop agriculture on the Hai He valley plain for the state. The provincial government assumes the responsibility for organizing and guiding development. The state land development and construction fund management leading group will give guidance and support.

Placing the Hai He valley plain areas onto the list of key agricultural development and improvement areas was a decision of the State Council.

The major targets for the development include: 1) coastal areas, including 26 counties, districts, and farms in 4 prefectures and in cities, such as Qinhuangdao, Tanggu, and Cangzhou; 2) areas around Beijing and Tianjin, including Langfang Prefecture and 27 counties and cities north of Baoding; and 3) Heilonggang area, including 27 counties, districts, and farms in 6 prefectures and cities, such as Handan, Xingtai, Hengshui, and Cangzhou.

According to the unified plan, our province should transform low- and middle-yielding land and set up state-level farm and sideline product bases with the focus on production of commodity grain and cotton for Beijing and Tianjin so as to ensure a long-term, steady supply of commodity grain and cotton for the state and a long-term, steady supply of farm and sideline products for Beijing and Tianjin.

**Yellow River Cooperation Zone Established**  
*OW2907231588 Beijing XINHUA in English*  
*1500 GMT 29 Jul 88*

[Text] Qingdao, July 29 (XINHUA)—The Yellow River Economic Cooperation Zone, which involves six provinces and one autonomous region, was formally set up today with the signing of minutes of talks by the local leaders concerned.

The Yellow River, originating in Qinghai Province, winds through Gansu, Shaanxi, Shanxi and Henan Provinces, and the Ningxia Hui Autonomous Region, and empties into the sea in Shandong Province.

With a population of 250 million, the cooperation zone covers an area of 1.922 million sq km or over 20 percent of the entire Chinese territory.

"The establishment of the zone will enable the Yellow River valley to make new contributions to the Chinese nation," said Shandong Governor Jiang Chunyun at today's signing ceremony.

He said his province will provide services to interior regions along the river so as to promote their export-oriented economies, the introduction of foreign investment and the development of processing with supplied materials and compensation trade.

These regions will be encouraged to open factories on the Shandong peninsula and Shandong will also launch enterprises in other places along the river, he said.

For a long time the Yellow River valley was the political, economic and cultural center of China. However, its economy declined later until it lagged far behind the Yangtze River valley in more modern times.

Since the founding of New China in 1949, great achievements have been made in the valley, thus paving the way for the revitalization of its economy, Jiang said.

In 1987, the total agricultural output value of the six provinces and one autonomous region accounted for 19.4 percent of the national total.

The valley is also rich in natural resources. So far, 138 kinds of minerals have been discovered, reserves of 95 of which have been verified.

In transportation, it has four major railroads, a convenient highway network, more than 100 air routes and six open ports with a combined annual handling capacity of 50 million tons.

Besides, it boasts many scenic spots and places of historical interest. Its major cities accommodate about 500,000 tourists each year, earning more than 15.2 million U.S. dollars annually.

With its large reserves of petroleum, coal, iron and rare metals, the Yellow River valley will become one of China's most important heavy industry bases, said Tong Dalin, a leading Chinese economist.



### East Region

#### Anhui Secretary Writes on Cadre Workstyle

OW0208121888 Anhui ANHUI RIBAO

in Chinese 29 Jun 88 pp 1, 3

[Article by Lu Rongjing, published originally in DANG YUAN SHENG HAO (8093 0765 3932 3172 PARTY MEMBER'S LIFE), Issue No 7 of 1988: "Strengthening Party and Government Organs In the Course of Reform and Opening Up to the Outside World"]

[Excerpts] Reform, opening up, and development of the socialist commodity economy require us to strengthen our work and seriously listen to party and government organs. Leading organs of the party and government, particularly institutions directly under the provincial authorities, can better implement the party's line, principles, and policies and mobilize the people of Anhui for the great cause of building socialism with Chinese characteristics only if they improve themselves and be honest, strict, united, and efficient. With regard to the ideological and work style of institutions directly under the provincial authorities, the general state of affairs currently is good, the main current is good. First, the extent of emancipation of the mind among the vast numbers of party members and cadres is better than at any other time. Everyone wishes to see Anhui develop more quickly, more steadily, and more efficiently. Their awareness of reform is strong, and their minds are lively. The reticent atmosphere of not daring to speak or tell the truth, which existed during the situation of isolation in the past, has disappeared. Second, the majority of comrades cherish strong aspirations, and are industrious and conscientious in their work. Third, most of the comrades, including many leading comrades, are highly disciplined and upright, and have served as very good models. Their achievements have also been very outstanding. The state of affairs throughout the province is developing well, being the result of the combined effort of every sector in Anhui, including all the comrades of institutions directly under the provincial authorities.

However, some areas of our work are still found wanting. Many comrades argue that Anhui is now at the "bottom of the pit" and wish to see it get out of the situation quickly. Such feelings are understandable but we must make a comprehensive analysis. Looking at the absolute figures of major economic indicators, it is unrealistic to think that Anhui can quickly attain, in a few years, the standards of adjacent advanced provinces and cities. But if we look at the speed of our development, the various indicators show that we have matched the national average, or even done a little better. Only by making such a comparison can the true standard of our work be brought to light. Should we have failed to achieve this, then there would have indeed been something wrong with our work; and we would certainly be unable to forgive ourselves for that. Looking at the question from this angle, we will discover that there is need for attention and vigilance because there definitely are some

problems within party and government organs, and with some party members and cadres. We are now at a crucial stage of reform, and are changing over from an old to a new system. Ideas are more actively brought forward, public discussions are more frequent than before, and some of the complaints are clearly biased. However some of the cadres of our organs, including some leading cadres, have failed to judge the situation correctly and have adopted a liberal attitude, followed what others say, and drifted with the tide. In some cases, some units have been disunited, and the leading cadres of these units, spurred by their own motives, would vie with one another for higher positions and neglect their work; they continue to show no signs of improvement and fail to take the overall situation into consideration. Moreover, corrupt and unhealthy trends prevail in many localities. [passage omitted]

The public will judge whether we have taken care of their interests. They will judge whether our party's line and guiding principles are correct or not, whether our party and government organs, as well as leading comrades, really place the interest of the country and people above everything else in everything they do, and whether they are honest, united, and efficient. In this respect, the question of honesty, unity, and efficiency has a decisive bearing on the relationships between the party and the people, between the government and the people, and between cadres and the people; and on the success or failure of the four modernizations. We should look at the matter from this viewpoint, adopt appropriate measures, strengthen party and government work in a practical manner, and improve the work style of their institutions. Otherwise, if things continue as they are, the party and government will become corrupt, and Anhui's economy will be unable to prosper.

The scope for strengthening party and government organs is wide. At present, institutions under the provincial authorities must place special emphasis in two areas: They must perform their official duties honestly, and be united and efficient. For the economy to prosper, party and government organs must be honest. Communists are the most advanced class of political representatives in the history of mankind. Other than fighting for the interest of the vast numbers of working people, they have no special interest of their own. This means that leading organs and leading party and government cadres must serve the people wholeheartedly. Performing one's official duties honestly should be the true quality of a communist. At present, China has reached a crucial stage in political reform, and many important reform measures continue to come forth. Whether party and government organs can remain honest will influence the people's will, the success or failure of reform, and the prosperity or decline of our cause. Problems caused by a small number of people will tarnish the party's image and undermine the prestige of reform, thereby arousing the people's discontent and adding more man-made problems to reform. Only by performing our official

duties honestly can we truly serve the people, win their trust and support, and strengthen the forces that support reform and the four modernizations. [passage omitted]

Performing one's official duties honestly, and being united and efficient should not be empty words. We must rely on the effort of every public servant to practice what we advocate. Right now, in order to get things done, we must tackle those issues which are prominent, which people complain about most, and which we are more capable of solving satisfactorily.

#### 1. Strengthen the System [subhead]

For the economy to prosper, we must rely on reforms. For party and government organs to be honest and efficient, we must also rely on reforms. One of the fundamental reasons why many problems related to institutional work style continue to crop up is that inadequacies and imperfections in many of our rules and regulations provide an opportunity for violators of law and discipline to exploit the situation. Another reason is that, despite the existence of regulations and systems in some cases, many of them have not been made known to the people to enable them to supervise, thus providing an opportunity for some to manipulate power for personal ends. [passage omitted]

#### 2. Strengthen the Cadre Contingent [subhead]

In accordance with the principle of shouldering the great historical cause, and being accountable to the party and for our undertakings, we must open every avenue to attract talented people, identify them, use those who are capable and have moral integrity, and give them every possible support in their effort to achieve progress in the course of reform. [passage omitted]

#### 3. Adhere to the Principle of Strict Party Discipline [subhead]

The 13th CPC National Congress report pointed out: We must draw up a stricter code for party members who work in leading organs of the party and government, especially for party cadres in leadership positions. Therefore, we must enforce stricter discipline, with special emphasis on political discipline, for party members who run the government. On matters of important principle, cadres of all party and government organs, especially leading cadres, must remain unanimous and be strictly forbidden to act otherwise. [passage omitted]

#### 4. Intensify and Improve Ideopolitical Work [subhead]

Ideopolitical work is our magic weapon. We must conscientiously integrate the intensification of ideopolitical work with what we actually do. We must unite the ideologies of people at all levels and from all walks of life with the line and guiding principles of the party's Central Committee, and subject ourselves to the overall and

long-term interest of the people, so that every comrade in party and government organs can become a public servant who is idealistic, law-abiding, and devoted to his duties.

#### 5. Regard the Strengthening of Party and Government Organs as Our Daily Work, Grasp It Without Slackening [subhead]

To resolve the issue of institutional work style, we cannot rely entirely on old methods of the past, and must employ new ones. [passage omitted] To rectify institutional work style, we must rely on both reforms and new systems, and not political campaigns. Our guiding ideology is not to raise a terrific outburst or windstorm, but to do more and talk less. Regarding problems that cannot be resolved immediately, we must be patient. [passage omitted] Discipline inspection, organization, and supervisory departments, as well as party organizations at all levels must exercise their supervisory role, coordinate with each other, and strive to improve institutional work. If party and government organs place the strengthening of work style on their agenda, give it due attention, and tackle it all the way from top to bottom, they will certainly produce results and bring about improvement in work style.

#### Fujian Governor Meets Outstanding Students

OW0308013188 Fuzhou FUJIAN RIBAO in Chinese 19 Jul 88 P 1

[Excerpt] On the afternoon of 18 July, Governor Wang Zhaoguo and Vice Governor Chen Mingyi cordially met with Chen Yansong, a senior of the Attached Middle School of the Fujian Teachers' University, and Lu Guoqiang, a student of Putian No 1 Middle School, and congratulated them on winning gold and bronze medals respectively at the International Middle School Students' Olympic Science Contest.

Wang Zhaoguo expressed his gratitude to the two schools, teachers, and parents who have cultivated the two outstanding students. He said: Teachers of the people have worked hard to cultivate capable people for the motherland. The broad masses of people are obliged to them and all society respects them. [passage omitted]

#### Jiangxi Governor on Promoting Market Economy

OW0308053388 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 30 Jul 88

[Excerpts] A seminar on productive forces as the criterion, which was attended by department- and bureau-level cadres of organs directly under the province, held its third report meeting at the auditorium of the provincial party committee on the morning of 30 July. Wu Guanzheng, deputy secretary of the provincial party



committee and governor, made a report, entitled "Accelerate the Pace of Reform, Develop Commodity Economy," at the meeting over which Wang Taihua, Standing Committee member and director of the Propaganda Department of the provincial party committee officiated.

In the report, Wu Guanzheng explained, in simple terms, the need to carry out economic structural reform in the light of reality in Jiangxi, gave a brief account of the measures taken by the provincial party committee and the provincial government to accelerate reform and development since the beginning of this year, analyzed problems facing reform, and put forward solutions.

Wu Guanzheng said: In accelerating and deepening reform, efforts should be concentrated on transforming the operational mechanisms of enterprises and systematically carrying out support of reform measures in the pricing, wage, planning, investment, material supply, finance, banking, and foreign trade systems, so as to gradually set up the framework for a planned commodity economy.

He said: There are two salient contradictions in developing a commodity economy in Jiangxi, that is, the contradiction occurring in the transition from the old to the new system, and that in the development level between Jiangxi and its neighboring coastal provinces. In order to resolve these two contradictions and achieve a bigger economic growth, we must adhere to the guiding principle of seeking progress through reform and promoting development through opening Jiangxi to other areas. [passage omitted]

He said: In the current difficult and crucial period of reform, we are confronted with difficulty in the pricing and material supply reforms and (?education). This requires us to follow the correct guidelines, achieve unity in thinking, strengthen leadership over the reform, intensify and improve ideological and political work, uphold party and government authority, stress law and order, and arouse the awareness of all people in Jiangxi to tide over the difficulty with one heart and one mind.

**Shandong Foreign Trade, Finance Meeting Held**  
SK0308055588 Jinan DAZHONG RIBAO in Chinese  
16 Jul 88 p 1

[Text] Recently, the financial and economic leading group under the provincial party committee held its fourth plenary meeting presided over by Comrade Liang Buting, secretary of the provincial party committee and head of the financial and economic leading group under the provincial party committee, to hear the report of the provincial Foreign Trade Bureau on the current provincial foreign trade situation and the report of the provincial Financial Department on the implementation of the semi-annual financial budget, and measures to strike a

balance between annual revenues and expenditures. The meeting set demands and studies measures for further improving the province's foreign trade work and financial work.

1. On foreign trade work. The meeting maintained: In the first half of this year, the province's foreign trade target fulfilled by more than one-half, and the achievements in this regard should be affirmed. However, there is still a long way to go, compared with the national economic development situation and the coastal fraternal provinces and municipalities. Major indicators were the retarded increase rate in foreign exchange revenues and export, and the poor situation in export commodity purchases. The meeting called for efforts to solve the following several problems: 1) We should ensure the fulfillment of the annual target of scoring a 10-percent increase in foreign trade, and should resume as quickly as possible the due place occupied by our province in foreign trade and export. We should intensify the sense of developing export to earn foreign exchange and corresponding countermeasures; and should enable the whole province, from top to bottom, to shorten the process of adapting themselves to the new situation in the foreign trade structural reform as quickly as possible to avoid a falling-off between two periods, even though it is very short. All cities, prefectures, and departments should define their goals, consciously increase work targets, implement the director responsibility system, strengthen the supervision and coordination in pertinent fields, and actually boost foreign trade and export. In particular, those cities, prefectures and departments whose export volume dropped in the first half of this year should be given a deadline to reverse their passive situation and make up for their outstanding accounts. 2) We should continue to deepen reform of the foreign trade structure, and accelerate the pace of reform. To create a new situation in foreign trade work, we must further emancipate our minds, and bravely push the city and prefectural foreign trade departments as well as a number of enterprises onto the international market to adapt ourselves to the international exchange and competition environment. The reform should be carried out positively and steadily without seeking uniformity. This year, we should focus on carrying out experiments for reform. Next year, our pace in reform should be bigger; and the contract system should be popularized among the areas in the eastern part of the province which open themselves to the outside world as well as among places which have conditions to implement the system. Along with the transfer of the import and export managerial rights to enterprises, we should transfer some personnel from various foreign trade specialized companies to strengthen those enterprises and units to which the import and export managerial rights are transferred. These enterprises should, at the same time, invite a number of talents through open recruitment, and should train a number of talents through their own efforts to adapt themselves to the demands for developing foreign trade. Towards various prefectures and cities as well as those enterprises with the right to deal in import and



export, foreign trade departments should help them to initiate import and export business and then give guidance to them for a period of time. At the same time, vigorous supports should be given to them in the fields of selecting foreign business targets, deciding on trademarks, building ranks of workers and staff, and setting up sales organs abroad. 3) We should firmly and unswervingly take the road of developing industry, agriculture, commerce, and technology in line with the demands of foreign trade. Foreign trade departments should pay attention to the work of various foreign trade companies, and further sum up Zhucheng City's experiences in developing foreign trade. Foreign trade departments should also constantly report the current situation to and provide technologies and informations for those enterprises which produce export commodities. To take the road of linking industry, agriculture, and commerce with trade, we should not apply administrative means alone. We should adopt still more economic means, and strive to establish a new long-term and stable mechanism of "commonly sharing profits, running risks, and dealing with the work relating to foreign firms."

4) We should open up new international markets more actively. On the basis of stabilizing original markets, foreign trade departments should map out more measures to vigorously open up new markets and channels, develop new export commodities, and extensively get acquainted with new foreign customers when doing business with foreign firms and traders, the open bidding method should also be adopted to make our business brisker and brisker. After delegating managerial right to lower levels, we should introduce and recommend some foreign customers to cities, prefectures and enterprises, and should also allow cities, prefectures, and enterprises to seek new foreign customers so that we can introduce competition mechanism to the business with foreign firms. 5) We should strengthen lateral association with foreign trade departments in the inland provinces. Foreign trade departments in the provinces which open to the outside world are responsive and duty-bound to serve the foreign trade and export of inland provinces. Through the method of exchanging personnel, foreign trade departments in our province should strengthen contacts with foreign trade departments of inland provinces. In the 1989 Qingdao trade fair, foreign trade departments of some inland provinces should be invited to facilitate the development of foreign trade and export of inland provinces as well as the economic and technological cooperations between inland provinces and foreign countries.

2. On financial work. The meeting maintained: In the first half of this year, the general financial situation of the province was good, however, many problems existed. We must pay attention to these problems. The meeting set the following demands on the financial work of this year: 1) This year, on no account must we incur financial deficits. This is the lowest demand. 2) We should make an overall forecasting for the provincial financial situation, and clearly calculate the financial resources of the

province. We should also reserve an appropriate amount of funds to create conditions for carrying out wage reform next year. 3) We should penetratingly mobilize enterprises to launch the activity of "increasing production and practicing economy and increasing revenues and reducing expenditures," and should encourage enterprises to implement not only the measures for increasing production but also the measures for practicing economy. At present, the province has a very great potential in tax revenues. We should adopt some even more effective measures to collect all the money which should be collected according to law. 4) We should strictly control financial expenditures. In the second half of this year, if there is no special case, we should on no account open the channels for reducing revenues and increasing expenditures. The administrative leader responsibility system should be implemented, and financial departments should strengthen supervision over the work of increasing revenues and reducing expenditures. In particular, great efforts should be made to curtail administrative expenses and institutional purchases. All cities and prefectures should keep expenditures within the limits of revenues. The contracted financial targets of this year must be fulfilled. All departments, from top the bottom, should make concerted efforts to ensure a balance between revenues and expenditures and create even more favorable conditions for carrying out reform next year.

**Shanghai Party Meeting Concludes 28 Jul**  
*OW0208094988 Shanghai City Service in Mandarin*  
0900 GMT 28 Jul 88

[Text] The Seventh Plenary Session of the Fifth Shanghai Municipal CPC Committee concluded this morning.

The session adopted, in principle, the municipal party committee's views on reforming and strengthening ideological and political work. It called on party organizations and members at various levels in the municipality to do ideological and political work while carrying reform and opening to the outside world, to further unite the masses, and to boost their morale in order to promote the building of socialist material and spiritual civilization and write a new chapter in the history of Shanghai's construction.

Four key points on ideological and political work were set forth in the important document adopted by the session:

1. We must have a correct understanding of the current situation, boost the people's morale, and have confidence in the success of reform.

2. With the realization of the four modernizations and the revitalization of China as our spiritual support, we must unite all people.

3. We must foster wholesome social practices and professional ethics, promote the code of conduct of "I am for everyone, and vice versa," and build a relationship of equality and mutual help among individuals and a social atmosphere of being courteous and making progress.

4. We must uphold the unity of socialist democracy and the legal system and guide cadres and people inside and outside the party to stress their individual character, democracy, and freedom while upholding the four cardinal principles.

Secretary Jiang Zemin spoke on how to implement the guidelines laid down by the session.

Wu Bangguo, deputy secretary of the municipal party committee, and Zhao Qizheng, member of the Standing Committee and director of the Organization Department of the municipal party committee, relayed a report on the guidelines laid down by a recent organizational work conference of the party Central Committee.

**Shanghai Group To Produce Special-Purpose Cars**  
*OW0308022288 Beijing XINHUA in English*  
1220 GMT 2 Aug 88

[Text] Shanghai, August 2 (XINHUA)—The Shanghai Shenlian Cooperative Group specializing in production of automobiles for special purposes was launched here today.

The first of its kind in China, it is composed of 16 units including the Shanghai Heavy Duty Automobile Factory, the Machinery College of Tongji University and the Shanghai Research Institute for Automobiles and Tractors.

China lags behind other countries in production of motor vehicles for special purposes, experts here said.

Automobiles for special purposes account for 80.1 Percent of the total haulage vehicles output of the United States, but the figure for China is a mere 17 percent.

**Zhejiang Foreign Trade, Investment Grows**  
*OW0208180688 Beijing XINHUA in English*  
1358 GMT 2 Aug 88

[Text] Hangzhou, August 2 (XINHUA)—Zhejiang Province saw an increase in foreign trade and overseas investment in the first half of this year.

According to a provincial official, the province's total volume of imports and exports in this period amounted to 832 million U.S. dollars, up 65.2 percent over the same 1987 period.

Thirty-nine foreign-funded projects were approved, attracting a total foreign investment of 32.18 million U.S. dollars, 7.2 times the figure for the same period last year.

Meanwhile, labor service contracts worth 24.79 million U.S. dollars were clinched, and tourism earned the province 24.18 million U.S. dollars, a 55 percent increase over the figure for the same 1987 period.

**Zhejiang Governor Speaks at Company Launching**  
*OW0308014288 Hangzhou ZHEJIANG RIBAO*  
in Chinese 20 Jul 88 P 1

[Dispatch by Xu Youzhi and Cai Jingfu]

[Excerpts] A start was made in Hangzhou on the task of developing the Hang-Jia-hu area by enlisting the scientific and technological forces of higher educational institutions in the country. At a meeting held yesterday to mark the founding of the Hangjiahu Technological Development Corporation, Shen Zulun, governor of Zhejiang Province, and Zhu Kaixuan, vice minister of the State Education Commission, presented bronze medals to the responsible persons of this corporation.

Also present at the meeting were Wang Qidong, vice chairman of the Standing Committee of the provincial people's congress; Ding Deyun, vice chairman of the provincial CPPCC Committee; as well as leaders from Hangzhou, Jiaxing, Huzhou, Shaoxing, and Ningbo cities.

The Hangjiahu Technological Development Corporation is a new-type company for development of science and technology directly led by the provincial government and the State Education Commission. Its operational principle and purpose are: Organizing and supporting the scientific and technological personnel of higher-education institutions throughout the country to work for export-targeted economic and technological development in the Hang-Jia-Hu and Shaoxing areas; promoting the application of the institutions' scientific and technological achievements to commodity production; providing consultations, financial support, and technological management required by the institutions in carrying out their scientific and technological development projects in these areas; and assisting the institutions boost their scientific and technological development capabilities while raising the export-targeted economic level of the Hang-Jia-Hu and Shaoxing areas.

Governor Shen Xulun addressed the meeting. He said: The State Education Commission has decided to enlist scientific and technological personnel to engage in export-targeted economic and technological development in the area covered by Hangzhou, Jiaxing, Huzhou, and Shaoxing. This conforms fully with our country's strategy of developing the export-targeted economy in coastal areas. [passage omitted]

Shen Zulun said: The area covered by Hangzhou, Jiaxing, Huzhou, and Shaoxing is noted for abundant natural resources, relatively developed processing industries, and the good foundation of its machinery and electric-equipment industries. Currently, however, the volume of exports is at very low. There is an urgent need to use the

scientific and technological capabilities of higher-educational institutions to make multipurpose use of the natural resources in this area, transform and develop its processing industries, and establish a number of new high-tech industries in the fields of bioengineering, computer, laser, scientific experimental instruments, energy development, and nuclear power to increase its exports and enable it to earn more foreign exchange.

Speeches were also made by Zhu Kaixuan and Lu Yongxiang, president of Zhejiang University, who is also chairman of the board of directors of the corporation. Also attending the meeting were some 300 responsible persons and representatives from institutions of higher education in various parts of the country, including Qinghua, Fudan, Nanjing, and Sichuan universities, and Jiaotong University in Shanghai.

### Central-South Region

**Liang Xiang on Developing 'Big Triangle'**  
HK0308025688 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0943 GMT 28 Jul 88

[Report: "Liang Xiang on the 'Big Triangle' Idea"]

[Text] Haikou, 28 Jul (ZHONGGUO XINWEN SHE)—Liang Xiang, the principal responsible person of the Hainan provincial government, recently told the press about his ideas on the "big triangle" cooperation and development strategy.

Liang Xiang said that the Zhujiang Delta, Guangzhou, Shantou, Zhuhai, Shenzhen, and Hainan can be linked together to form a big triangle. It would be a big window for China to open up to the outside world. From the angle of the cooperation and development strategy, these places should be united. Such internal association will be beneficial to all these places.

Liang Xiang said: Guangzhou is rather developed in industry, transportation, technology, and culture. Hainan's development will have close relations with Guangzhou. Hainan has resources and conveniences for foreign contacts; Guangzhou has technologies, funds, and skilled and educated manpower. The combination of advantages will certainly be favorable to economic development in both Hainan and Guangzhou.

Liang Xiang said: In Guangzhou, the food and drink processing industry is rather developed. Guangzhou can achieve adequate raw materials for this industry from Hainan, which produces plenty of tropical crops, tropical fruits, and aquatic products.

Lei Yu, Vice Mayor of Guangzhou, who is very familiar with Hainan, will lead a delegation to Hainan in the near future.

**Southern Hunan To Undergo Large-Scale Development**  
HK0308014788 Changsha Hunan Provincial Service  
in Mandarin 2200 GMT 2 Aug 88

[Excerpts] With the approval of the State Council, the provincial government recently decided to spend 7 years, beginning next year, on the large-scale development of southern Hunan, with the focus on agriculture.

Southern Hunan includes 31 counties and cities in Chenzhou, Lingling, and Hengyang prefectures and cities. There are abundant land resources there. According to statistics, there is a total area of 85 million mu of land, some 70 million mu of which can be reclaimed or improved. This includes 9 million mu of barren land that can be reclaimed for agriculture and 3 million mu that can be developed for rice cultivation. [passage omitted]

According to the initial calculations of experts, if southern Hunan reclaims and uses all its existing barren land, it could increase annual grain output by over 2 billion jin. In addition grain output could be increased by 5 billion jin by improving low-yielding land, and an extra output value of 2 billion yuan could be generated by expanding the sowing of industrial crops. When the region also develops pig-raising and makes full use of its 300,000 mu of waters and 10 million mu of forests, total annual output value could rise by 5 billion yuan, calculated at 1980 prices.

### Southwest Region

**Tibetan CPPCC Motions 'Taken Very Seriously'**  
OW0208110088 Beijing XINHUA in English  
0930 GMT 2 Aug 88

[Text] Lhasa, August 2 (XINHUA)—Motions put forward by members of the Tibetan Committee of the Chinese People's Political Consultative Conference in the last five years have been taken very seriously by the regional government, according to an on-going session of the committee.

Fifty three percent, or 608, of the 1,147 motions forwarded to regional officials have been handled. They range over a variety of issue areas including religion, culture, education, science and technology, agriculture and animal husbandry.

For instance, in response to a motion concerning the Selha Temple, the Lhasa people's government urged the institution concerned to return properties they took over during the Cultural Revolution. As a result, 2,205 square meters of land and some houses occupied by these departments have been returned to temple officials.

Another motion conveyed complaints by residents in Qusum County about the low purchase price for chromite, which is mined in the area. On receiving the



motion, the regional party committee and political consultative conference regional committee sent a group to the county to investigate with the result that the price was raised from 35 yuan a ton to the present 180 yuan a ton.

Given Tibet's great size and inadequate transportation network, schools scattered in various places often find it hard to obtain their teaching materials. As a result of a motion on the issue, however, the regional government is providing each county with a car specially designated to transport the materials.

Meanwhile, a motion on building a highway in Mainling County for the region's water conservancy facilities has resulted in a government investment of 200,000 yuan.

"These motions have played an important role in helping the government to make correct policies and improve its work," a local official said.

### North Region

#### Beijing Banks Report Residents Saving More

OW0208102088 Beijing XINHUA in English  
0710 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—Beijing's banks reported total urban and rural savings deposits hit an all-time high of 11.05 billion yuan (about 2.96 billion U.S. dollars) at the end of this June.

According to statistics, this figure represents a net increase of 1.76 billion yuan (476 million U.S. dollars) over the 1987 year-end total, and showed an average increase of about 300 million yuan (81.1 million U.S. dollars) a month.

This year, some areas outside the capital have reported decreases in the amount of money being put in savings accounts because depositors have been spending more on consumer goods in fear of price increases.

Vice-President of the Beijing branch of the People's Bank of China Liu Shengyuan attributes Beijing's big savings account balances to higher incomes for workers.

During the first half of this year, apart from other incomes Beijing workers and staff took home 5.37 billion yuan (1.45 billion U.S. dollars) in salaries, 930 million yuan more or a 22.1 percent increase over the same 1987 period.

Statistics also show, about 20 percent of this money was put into savings accounts because consumers were not able to buy the commodities they wanted.

More high-ranking officials, intellectuals, writers and painters live in Beijing than in other places in China, with these groups being big earners and also big savers. Banks also report self-employed individuals are putting a lot in savings accounts.

In general, these people want to buy expensive commodities like private cars, jewelry, jade and personal computers, but for these items, supply does not meet the demand.

The manager of a privately-owned firm said he wanted to buy a personal computer to better manage his business and as a study aid for his children, but the type he wants is not available on the market.

Liu shengyuan, a senior economist said, this April, Beijing banks recorded a big drop in savings deposits because some residents withdrew money to stock up on daily-use items.

At that time, local authorities did a good job of explaining price adjustments before the prices of the pork, eggs, vegetables and sugar, were to go up the following month, Liu explained, and as a result some people put their money back in the bank.

Economist Chen Xiaoxian said, during the past few years, China has restructured the country's banking system, and now specialized banks are allowed to offer savings deposit services, while postal savings deposit services and non-government banks have surfaced.

This is another reason why Beijing banks have seen higher balances in urban and rural savings accounts, Chen went on.

At present, the country's price increase index is higher than the interest rates on savings deposits, Liu Shengyuan went on, but for local residents, it is still better to put money in the bank to beat losses from price hikes than to let funds sit idle at home.

According to local authorities, Beijing's economic performance during the first half of this year was markedly better than the same 1987 period, with industrial output value up 14.7 percent to hit 20.04 billion yuan (5.42 billion U.S. dollars), and total retail sales up 23 percent.

Financial experts in the capital agree if savings deposits remain stable during the first half of a year, the second half should not experience big fluctuations.

#### Shanxi Leader Discusses Current Reform Problems

HK0308012988 Taiyuan Shanxi Provincial Service  
in Mandarin 2200 GMT 2 Aug 88

[Excerpts] Wang Maolin, deputy secretary of the provincial party committee, addressed senior cadres of the provincial radio and television department and editorial

staff of the provincial radio and television stations on 2 August. He pointed out that the greatest difficulty we have now encountered in our economic life is how to break through the pass of price reform. Media such as radio and television should provide correct guidance for public opinion to arouse the masses to go all-out and work together with the party to traverse the difficult pass together.

Wang Maolin first affirmed that Shanxi's economic situation is good this year. Industrial output value in the first 7 months of the year rose by about 11 percent over the same period last year. Although this is below the national average growth of 17 percent, it is a relatively good growth rate. We cannot simply pursue growth in output value; we should tangibly shift our work focus to centering on improving economic returns. A notable characteristic of Shanxi's good economic situation this year is that the improvement of economic returns has exceeded the growth of industrial output value. [passage omitted]

In agriculture, the province's summer grain harvest is expected to show an increase of about 5 percent over last year, and the major autumn crops are growing very well. If there are no other natural disasters, the province's grain output will show a big increase this year. The foreign trade situation is also good, and urban and rural markets are flourishing. Vegetable prices have been relatively stable since restrictions on them were lifted. We must not harm the peasants by allowing vegetable prices to drop too low, nor can we harm the people by allowing them to rise too high.

While affirming the good economic situation in the province, Comrade Wang Maolin also pointed out the following problems:

1. The overlapping of the new and old systems has caused some problems that need studying in current economic life. For instance, the masses object to the excessive price rises.
2. The industrial growth rate is still too high, prices of some production materials have risen too fast, and there are contradictions between supply and demand. The general reaction to the lifting of price restrictions on brand-name cigarettes and wines has been good, but some shops have acted incorrectly in repeatedly hiking their prices. Media propaganda should provide positive guidance to ensure that the prices of brand-name cigarettes and wines will become relatively stable within a certain period.

On the plans of the provincial party committee to implement the coastal strategy and speed up the province's economic development, Wang Maolin said that the main guideline of the provincial party committee work conference consisted of gaining a clear picture of

the province's situation, defining the discrepancies, emancipating the mind, updating concepts, and finding counter-strategies in light of the actual conditions in Shanxi.

He said: Compared with the coastal areas, our major discrepancies are that our minds are not emancipated enough and our concept of commodity economy is weak. In the past 2 months, through implementing the guidelines of the provincial party committee's work conference, the prefectures, cities, and counties have gained tangible results from launching the discussion on the productive forces criterion.

Comrade Wang Maolin also endorsed the work of the provincial radio and television stations. He said: In recent years, under the leadership of the provincial party committee and government, the comrades of the two stations have made achievements in organizing lively programs that have been well received. The Central People's Broadcasting Station and the Central Television Station have also carried many news items from Shanxi. This shows that the editorial staff of our two stations have high professional quality. He expressed the hope that the news reporters will stand a bit higher and see a bit farther, see the manifold changes through viewing the world in breadth, and actively guide the people to go all-out to invigorate Shanxi and enrich its people. [passage omitted]

Wang Maolin stressed: Ten years have now passed since the 3d Plenary Session of the 11th CPC Central Committee. To better ensure that everyone understands and supports the reforms, radio and television should do a good job in publicizing in a truth-seeking way the achievements of the 10 years of reforms, to tell the people that these reforms have been successful and that the problems that arise are inevitable and can be resolved.

Wang Maolin also asked that news reporters be honest and avoid applying in our political life the practice of exchange at equal value as in the commodity economy field. Reporters must always remember the program of serving the people wholeheartedly and spontaneously resist corrosion by corrupt things.

### Northeast Region

**Jilin Agricultural Import, Export Company Set Up**  
HK0208134788 Beijing CEI Database in English  
2 Aug 88

[Text] Changchun, (CEI)—Jilin agricultural products import and export corporation was set up on July 28 in Changchun, to boost export of agricultural products, which accounts for 70 percent of export revenue of the province.

At present, affiliates of the corporation have established contacts with some 300 clients from 30 countries and regions. The corporation now plans to further develop its customers network and set up its own transnational companies and commercial agencies abroad.

The corporation is formed by 125 enterprises which contracted to work jointly for 20 years. Registered capital of the corporation is 100 million yuan.

**Liaoning's Quan Shuren At Entrepreneur Meeting**  
SK0308012288 Shenyang LIAONING RIBAO  
in Chinese 20 Jul 88 p 1

[Excerpts] On 17 July, more than 300 entrepreneurs in the province gathered together in Shenyang to attend the fourth annual meeting of the provincial Enterprise Management Association and the second annual meeting of the provincial Entrepreneurs Association. At the meeting, the entrepreneurs held talks with provincial leading comrades amid a lively atmosphere. They said that the key to deepening the current enterprise reform is to solve the problems concerning the distribution system and the related personnel and employment systems. The existing problems in these aspects have already seriously dampened workers' enthusiasm.

On the morning of 18 July, entrepreneurs exchanged views with leading provincial comrades, including Quan Shuren, Chen Suzhi, and Shang Wen, on deepening enterprise reform and developing the export-oriented economy. [passage omitted]

During the dialogue, entrepreneurs mentioned about the bad effects that the state-owned commercial firms have brought to enterprises through their abuse of power to resell products at higher prices; the necessity of raising entrepreneurs' status, improving their treatment, and safeguarding their personal safety; the necessity of rapidly carrying out price reform in order to prevent brokers from seizing the interests of the producers; and the necessity of readjusting policies during the development of the export-oriented economy.

In their answers to these questions, leading comrades of the provincial procuratorate and the provincial Department of Supervision said: It is our responsibility to safeguard the legal rights and interests of enterprises and entrepreneurs. In the future, we will handle problems on party and government organs abusing their powers to infringe upon the legal rights and interests of enterprises. They also said that they had a "headache." Although enterprises pour out endless grievances, they say nothing—they suppress their fury. Quan Shuren continued on the subject and said: Enterprises should have courage to expose problems. However, they dare not do so because they have not seen any departments that can help them to conscientiously solve this kind of problems. It is better to do something than to shout ourselves hoarse.

At the annual meeting, Comrade Chen Suzhi gave a speech entitled, "Clearly Understand the Situation, Emancipate Thinking, Enhance Spirit, Advance in a Pioneering Spirit, and Contribute To Accelerating the Development of Liaodong Peninsula." Comrade Quan Shuren gave a speech at the end of the meeting. He said: Our province's ranks of entrepreneurs are being formed. However, there are great disparities in the number and quality of entrepreneurs. This can be improved by relying on entrepreneurs' efforts to make contributions to the state during practice. He pointed out: Entrepreneurs are now shouldering the heavy burden of accelerating Liaodong peninsula's opening up. It is necessary to put brand-name and quality high-technology products that can represent Liaoning on the international market. He emphatically pointed out: Entrepreneurs should also shoulder the heavy task of creating a good environment for the smooth progress of reform. So far, the state, enterprises, and the masses have shown stronger ability to withstand the strains caused by the price and wage reforms. Fundamentally, enterprises' ability to withstand strains comes from economic results. Therefore, whether we can raise enterprises' economic results or not is a key to determine whether we can smoothly conduct reform and overcome difficulties. To deepen enterprise reform, we must raise economic results. While touching on the problem of taking sales commissions, Quan Shuren stated explicitly: Putting money into one's pocket through taking sales commission is considered corruption and bribery. Regarding the issue of support, he said: We should set a limit on support. At present, enterprises have to finance all kinds of societies, associations, discussion meetings, and sports games. This has not only harmed the interests of the state and enterprises but has also resulted in endless meetings. All the people should conscientiously think over these harms.

At the meeting, the provincial Planned Economic Commission, the Organization Department of the provincial party committee, the provincial Trade Union Council, the provincial Enterprise Management Association, and the provincial Entrepreneurs Association jointly conferred the title of provincial "outstanding entrepreneurs" on 99 entrepreneurs, including Xu Youpan, Li Huazhong, and Huang Chune, and presented certificates of citation and bonuses to them. The provincial Planned Economic Commission and the two associations also presented outstanding enterprise-management awards to 40 enterprises, including the No 1 Shenyang Machine Tool Plant, the Wafangdian Bearing Plant, and Anshan Iron and Steel Company.

**Namelist of Liaoning Democratic Party Leaders**  
SK0308013088 Shenyang LIAONING RIBAO  
in Chinese 19 Jul 88 p 1

[Text] The following is a namelist of the chairman, vice chairmen, secretary general, and Standing Committee members of the first committee of the provincial Peasants and Workers' Democratic Party.



Chairman: Xia Dezhao [1115 1795 2507]

Vice Chairmen: Deng Zhaohao [6772 5128 6275]; Ma Jiqing [7456 0679 1987]; Zhao Qingcheng [6392 1987 0701]; and Zou Yuangai [6760 0337 2861] (female)

Secretary general: Zou Yuangai (retained)

Standing Committee members: Ma Jiqing, Deng Yan [6772 3601] (female); Deng Zhaohao, Xu Wujia [6079 0582 3946]; Zhu Wei [2612 4850 4949]; Wu Jingtian [0702 2529 1131]; Zou Yuangai; Zhang Kaizi [1728 7030 3320]; Zhao Qingcheng; Yuan Wenhua [5913 2429 5478]; and Xia Dezhao.

### Northwest Region

**160,000 Migrants to Northwest Become Well Off**  
OW0308081188 Beijing XINHUA Domestic Service  
in Chinese 1139 GMT 29 Jul 88

[By reporter He Maoji]

[Excerpts] Lanzhou, 29 Jul (XINHUA)—The 160,000-odd impoverished migrants who moved from Gansu's Dingxi and Ningxia's Xihaigu to the Hexi Corridor, Yinchuan Plain, and the Huang He Irrigated Zone have now achieved the fighting goal to "settle down in the first year, find enough to eat and wear in the second, and shake off poverty in the third," and some of them have even joined the ranks of prospering households. They symbolize the fruitful achievements of a project to develop agriculture in the "Sanxi" region.

The "Sanxi" region refers to Dingxi, Xihaigu, and the Hexi Corridor. Dingxi and Xihaigu in the hinterland is one of China's most impoverished areas, where 1.4 million peasants were crowded on a small piece of land with scarce natural resources. After year-round hard efforts in normal harvest years, the people there still could not find enough to eat. In years of natural disasters, they had to rely on grain, water, and forage delivered by the government. The piece of land simply could not yield enough for its people. In 1983, the State Council adopted a concrete measure to help Dingxi and Xihaigu cast off poverty and become well off by launching a project to develop agriculture in the "Sanxi" region, moving peasants living under adverse natural conditions to places with more resources to rebuild their homes by stages and in groups. [passage omitted]

The migration was carried out under the direct concern and support of central leading comrades. During an inspection tour of Gansu's Hexi Corridor on 23 August last year, Comrade Zhao Ziyang made a special visit to migrant households in Yangwan Village, Shajing Township in Zhangye City. He asked the migrants about changes in their livelihood as well as their relations with local people, thereby showing the central leader's kind concern for the migrants and affirmation of the migration work.

Drawing both positive and negative experiences in migration, organizers of the recent migration have adhered to three principles, i.e., voluntary participation, positive flow (that is, moving people from poor living conditions to places with better conditions), and meticulous planning. Therefore, the large-scale migration has proceeded smoothly and produced remarkable results.

In spite of the achievements, the organizers also noted the existence of problems in the migration. According to an official of the Settlement Section of the Gansu Provincial Headquarters on the Construction of Dingxi and Xihaigu, due to various reasons, about 5 percent of the 100,000 migrants in Gansu returned to their native places.

In a recent interview with the reporter, a senior official of the Leading Group on Agricultural Construction of the "Sanxi" Region said: Practice over the past 5 years proves that migration is an effective means to cast off poverty, and the fruitful results of the migration have attracted an increasing number of peasants from poverty-stricken areas to join the ranks of migrants. So long as we continue to strengthen the leadership and steadfastly carry out the work, the goal to move 500,000 migrants will be achieved according to the plan in 1990.

**Gansu Leaders Announce 4-Year Targets**  
OW0208134288 Beijing XINHUA in English  
0159 GMT 2 Aug 88

[Text] Beijing, August 2 (XINHUA)—In a bid to rally support, understanding and advice from their constituents, top leaders in northwest China's Gansu Province have publicized targets they expect to hit between 1988 and 1992.

According to today's "PEOPLE'S DAILY," to guarantee the provincial government's new development plan, these leaders believe the tradition of a closed leadership should be abandoned, and at a recent meeting, the governor and five vice-governors, outlined and publicized a four-year strategy.

During their terms of office these leaders expect Gansu's gross national product and total industrial and agricultural output value to each hit 30 billion yuan (8.1 billion U.S. dollars), they want the total output value of the province's township and village enterprises to climb to 10 billion yuan (2.7 billion U.S. dollars), they have listed total provincial income to be four billion yuan (1.1 billion U.S. dollars) and they hope for export earnings to run as high as 180 million U.S. dollars.

The leaders also want 90 percent of Gansu's farmers to have enough food and clothing before their terms end, and they also want to reduce the illiteracy rate for young people to below 25 percent.

As for health care in the province, these leaders have said they will try to meet requirements set by the state in the prevention and treatment of endemic diseases.

As part of the new style of leadership, citizens will be able to meet with provincial heads face to face to voice their opinions, and an award system will be worked out to encourage local residents to make suggestions to the provincial government.

To see if the leaders achieve their goals, audits will be carried out and work reports written when their terms expire.

**Xinjiang Begins 'Ambitious Development Program'**  
*HK0308034288 Beijing CHINA DAILY in English*  
3 Aug 88 p 1

[By staff reporter Cheng Hong]

[Text] URUMQI—The Xinjiang Uygur Autonomous Region is embarking on an ambitious development programme to promote the economic development in its poor areas.

According to a recent conference in Kashi, a famous city in the west of the region, Xinjiang will put farming as its first and basic development project while also improving its township enterprises, scientific co-operation and exported-oriented economy.

Hetian, Kashi and Kezlesukerkez, three autonomous prefectures in southern areas of the region, are places where 70 percent of the people are living below the poverty line (200 yuan per person a year, equal to nearly \$54). Among the 17 poor counties in the whole region, 11 are in the three autonomous prefectures.

In an interview with CHINA DAILY, Huang Baozhang, vice-chairman of the Xinjiang Uygur Autonomous Region, said that the government will provide the prefectures with more flexible policies. These will encourage border trade by making good use of Hongqilapu and Turgat, two ports in the prefectures.

Huang said the government will transfer much of the foreign trade power to them, allow more goods to be sold by them and give them more consideration in arranging projects and offering funds for capital construction.

According to the conference, much progress has been made in the past two years. More than 80,000 poor households have escaped from poverty; that is 37 percent of the 1985 figure.

Statistics show a slight rise of people's income and the improvement of their standard of living.

It was agreed at the meeting that the most effective measure to escape from poverty is to help the areas with their economic improvement rather than providing relief. So far, 23,000 people have been involved in more than 2,000 economic entities designed to allow them to escape from poverty.

Capital construction also is important, another official said. Electricity, water and roads are badly needed in the three poor areas.

According to Huang, money is not the only need in these areas. "They also need flexible policy and talented personnel," he said.

He urged all the poor areas to make good use of state policy and their rich local resources and at the same time take steps to improve their cultural level for rapid economic development in the near future.

The Xinjiang Uygur Autonomous Region is China's largest region and is rich in natural resources. It is known as a mysterious area of the old Silk Road and has made its name in opening to the outside world and in regional co-operation.

**Commentary on Deng Remarks on Use of Force**  
*OW0208183288 Taipei Domestic Service*  
*in Mandarin 2300 GMT 1 Aug 88*

[Short commentary: "A Message From Peitaihe"]

[Text] According to the Hong Kong monthly CHENG MING, the high-level meeting of the Chinese communists held last month in Peitaihe discussed, in addition to the problem of commodity prices, the so-called Taiwan question. Teng Hsiaoping clearly indicated that he would not renounce the use of force against Taiwan. As a matter of fact, there was nothing new about this remark. Nevertheless, we believe that this remark is particularly significant in view of the intense ongoing nationwide popular interest in the mainland. The two sides of the strait have been separated for over 30 years. Blood is thicker than water and no political system is able to separate blood kinship. However, we must also admit that, following the lifting of the ban on visiting relatives in the mainland, it would be impossible for compatriots visiting their relatives in the mainland to steer clear of the interference of Chinese communist politics. It is also impossible for them not to criticize the communist regime in their hearts. A glance at the living standards and the backward economic situation in the mainland is enough to make anyone despise communism. The banner of reform of the Chinese communists, however, is still tempting for many people. The prospect of profits and the immense territory seem to be the paradise businessmen long for.

Here we would like to raise some questions to ponder. Why have the Chinese communists repeatedly reiterated that they will not renounce the use of force against Taiwan? Why do they go all out to corner us in the international community? Why do they dare not return property to their mainland compatriots? If they are as open, democratic, and tolerant of dissent as their united front publications claim to be, why did they use force in the suppression of Tibet? Why are they so impatient that they have already gone all out, long before the 1997 deadline, to prepare for the takeover of Hong Kong? If the current reform of the Chinese communists has the confidence of the ordinary people the world over, why are Hong Kong compatriots so worried and scared about 1997?

Basically, we consider that all statements and actions of the Chinese communists with regard to Taiwan are of a transitional and temporary nature. Teng Hsiaoping's remarks at Peitaihe only serve to reveal the intrinsic sinister nature and ruthlessness of the Chinese communist regime in relentlessly pursuing its target of struggle. Meanwhile, declaring the possibility of using force against Taiwan also serves to warn the cadres and intellectuals on the mainland not to be influenced by Taiwan or to try to imitate Taiwan's democracy and freedom, which are absolutely not allowed in Chinese communist ideology.

Under the current circumstances in which Marxism-Leninism and the communist system are unpopular and are being despised by the people, we are 100 percent confident that the mainland must be reunited under a system of democracy and freedom. The mainland will not forever be subject to the rule of the Chinese communists. However, the Chinese communist regime will not just disappear if all Chinese, both at home and abroad, do not have a consensus view about pursuing democracy and freedom. For this reason, from now on, our contacts with mainland compatriots must be kept direct and simple. We must not try to curry favor with the Chinese communists or negotiate with them. Negotiating with a tiger for its hide will only land us in a situation beyond redemption. What we should do is to do everything we can to directly contact mainland compatriots and help them eliminate the communist system. Moreover, many cadres of the communist regime are having misgivings about the Communist Party. We must also win over them in order to create room for political maneuver for the mainland compatriots to usher in democracy in China by themselves. Our policy is that the Chinese communists do not represent China. The current strategy of opening up to the Chinese mainland is expected to be expanded with each passing day. It is hoped that we have the patience and, under the precondition of safeguarding national security and in accordance with the national policy, launch the boldest and most effective political, economic, and ideological counterattack against the mainland.

We would like to point out that our fellow countrymen express an unusual sense of superiority when they visit the mainland or talk about the policies of the mainland. They seem to say that they can transform the backward mainland with Taiwan's management know-how and investment. They avoid discussing politics and instead concentrate exclusively on seeking profits through trade between the two sides of the strait. We would like to solemnly point out here that the economic model of Taiwan is not necessarily suited to the environment on the mainland. Whom would a reckless Taiwan investor turn to to air his grievances when he finds out the environment on the mainland is unsuitable, or that the uncertain political trend of the communist regime is changing direction again? For this reason, the government to this day continues to persist in the three no's policy. This policy, viewed from long-range development, is not conservative but a tactic in our anticommunist war. At the same time, we must also understand that "learning from Taipei in politics" does not necessarily mean imposing Taiwan's democratic structure on the mainland. Our goal is to use the Taipei model to inspire all the Chinese to build a new, unified China. Therefore, we should work still harder to win over the intellectuals on the mainland, respect them, and march hand in hand with them to build a democratic China.

**Taiwan 'Moving Gradually' Towards Open Policy**  
*OW0308034988 Taipei CNA in English 0341 GMT*  
3 Aug 88

[Text] Taipei, Aug. 3 (CNA)— The government's recent decision to further ease restrictions on the admission of printed materials, movies, and TV and radio programs



from the China mainland indicates that the Republic of China is moving gradually and cautiously towards a more open mainland policy, a ranking government official said Tuesday.

This is the best proof that the government is determined to continue its opening policy, Shaw Yu-ming, director-general of the Government Information Office [GIO], told a background briefing at the GIO.

During the briefing, Shaw explained the principles the GIO had followed in revising the regulations governing the admission of written materials, films and radio and television programs released, distributed or produced by mainland Chinese either on the mainland or in any non-communist country or areas.

The revised regulations, including 17 clauses that significantly ease restrictions on those mainland works, were approved by the Executive Yuan July 27 and became effective the next day.

The GIO chief said his office, as a part of the government, had to draft the revisions in line with the government's mainland policy. He added, however, that the GIO has done its utmost to make the regulations as open as possible at the present stage.

Although the GIO is expected to add more forward-looking and open elements to the regulations in the future, it must be cautious for the sake of national security, Shaw said.

The contents of the regulations cannot go beyond the government's mainland policy, which has yet to be finalized, he stressed. Besides, the main purpose of the regulations is to solve problems arising from the government's policy of permitting local people to visit their relatives on the mainland.

Shaw promised that the GIO would closely watch the results as well as problems arising from the regulations and submit them to the soon to be established ad hoc Mainland Affairs Committee for reference.

The GIO hopes to progressively relax restrictions, Shaw pointed out, adding that the next package of revisions might be presented within one or two months.

Later Tuesday, Shaw reiterated the government's stand on the admission of printed materials, movies, radio and television programs of Mainland Chinese while speaking to a panel session of the National Development Seminar being held in Taipei.

He pointed out that even though restrictions on the admission of mainland works have been eased, those works that propagate communism, carry communist emblems or contain contents promoting the Chinese Communist "united front" cause will continue to be banned in Taiwan.

In addition, he said, local companies must obtain authorization from mainland authors before their works can be reprinted or copied here in order to protect copyrights.

On the same occasion, Shaw also commented on the development of the local press since the government lifted the Emergency Decree July 15, 1987, saying that there has been a big change in the nature of the local mass media because of the nation's changed political and social situation.

The press industry has boomed since the government lifted the ban on the publication of new newspapers, with existing newspapers increasing their pages and many new newspapers entering the market, he said.

Shaw expressed the hope that the press would not only strive to promote and protect the freedom of the press but also shoulder their social responsibilities and obey related laws and regulations.

**CHINA POST Editorial on Mainland Policy**  
*OW0308045188 Taipei CHINA POST in English*  
28 Jul 88 p 4

[Editorial: A More Liberal Mainland Policy]

[Text] At its recently held national congress, the Kuomintang [KMT] adopted a revised policy toward the mainland which reflects the ruling party's inclination to adjust its mainland policy to changes in the situations here and on the mainland.

The KMT has become more aware of the recent developments on the Communist-occupied mainland and has decided that nongovernmental contact between the two sides should be increased. The decision is timely and wise.

On the other hand, the KMT has reaffirmed its adherence to its "three-no policy," which calls for no contact, no compromise, and no negotiations with the Peking regime. The policy is necessary because official contact between the two sides would allow Peking to give the false impression that the Republic of China Government is a local government.

But it must be emphasized that, although official contact is inappropriate at this time, people-people ties should be expanded and encouraged.

In the past, visits to the mainland by Taiwan residents were forbidden on the grounds that they could be used by the Communists for propaganda purposes. The ban has now been lifted on humanitarian grounds. The removal of the ban has created a new situation between Taiwan and the mainland which may pave the way for China's reunification.

The reunification of China should be based on the adoption of a system and lifestyle that suit the Chinese. Since 1949, when the Communists seized power on the mainland, two different systems have been implemented on the mainland and in Taiwan. Contacts between the people from the two sides enable them to find out about life across the Taiwan Strait. The is instrumental in reaching a consensus on what system is best for the Chinese.

Recently, Peking's leaders have been copying some of the practices implemented in Taiwan under the latter's free enterprise system. The call for democracy has also increased.

The KMT and the ROC Government should work more vigorously than ever to inspire changes on the mainland that can lead quickly to the end of the communist rule. Lifting the ban on family visits to the mainland was step in the right direction. Further steps must be taken.

Restrictions on nongovernmental contacts between people from the two sides of the strait should be continually eased. Taiwan athletes, for example, should be permitted to take part in competitions held on the mainland. Academic exchanges ought to be allowed, too. Moreover, it would be a good idea to permit Taiwan residents to go to the mainland not only for family visits but also for sightseeing.

It is essential, we believe, that the government's three-no policy be directed only at the Peking regime and not at the people on the mainland. Only if people-to-people contact between the two sides keeps growing can progress be made toward the reunification of China under democracy and economic freedom.

**Tough Bargaining Expected in Trade Talks**  
*OW0308043888 Taipei CNA in English 1545 GMT*  
2 Aug 88

[Text] Taipei, Aug. 2 (CNA)—The Republic of China's [ROC's] negotiators for the forthcoming Hawaii consultations with the United States on agricultural trade foresee a tough bargaining ahead on the issue of U.S. fruit and turkey meat exports to the ROC.

None of the ROC negotiators appears optimistic that an agreement can be reached at the two-day consultations, scheduled to begin Thursday.

Wang Chao-ming, spokesman for the ad hoc ROC-U.S. trade committee, told the press bluntly Tuesday afternoon that the Hawaii consultations are beset with difficulties because the gap between the two sides is so wide.

He said that although the ROC's setting of quotas on fruit and turkey meat imports are only temporary and will eventually give way to total liberalization, yet the United States has found it hard to accept the restriction, fearing that this will provide a bad example for other countries to follow.

Wang said that vice chairman Koh Chin-chao of the Council of Agriculture, chief ROC negotiator, is aware that he is caught between the interests of local farmers and U.S. pressure. "He is in the hot seat and can only do the best he can in order to get somewhere."

Wang also noted that Dr. Fredrick F. Chien, convenor of the ROC-U.S. trade committee, is now in Washington, D. C. and is trying through various channels to convince the U.S. Government that it is not worthwhile to make such a fuss about an issue of only secondary importance that may trigger anti-American sentiment in the ROC.

Wang also disclosed that the ROC is likely to completely open its market to foreign fruit by the end of this year, as the nation is not willing to risk trade retaliation by its trading partners.

The ROC delegation to the ROC-U.S. consultations on agricultural trade is scheduled to depart for Hawaii Wednesday afternoon.

**Party To Study Implementing Congress Resolutions**  
*OW0308043288 Taipei CNA in English 0335 GMT*  
3 Aug 88

[Text] Taipei, Aug. 3 (CNA)—The Kuomintang [KMT] will hold a series of workshops at the Yangming Institution for National Revolution and Development from Aug. 8 to Sept. 6 to study ways to implement the resolutions adopted by the ruling party's 13th national congress held July 7-13, a KMT source said Tuesday.

Participants in the workshops will include KMT members holding government posts and top party cadres from local party organizations, the source said.

The workshops are to focus on such subjects as the promotion of the three principles of the people, the renovation of party structure, mainland affairs, the party platform and policy.

The workshop on the party platform and policy will include five seminars on five topics: political development, defense development and foreign and overseas Chinese affairs, educational and cultural development, economic development and social development and women's welfare.

**Strengthening of Environmental Protection Sought**  
*OW0308043188 Taipei CNA in English 0231 GMT*  
3 Aug 88

[Text] Taipei, Aug. 3 (CNA)—The government, while working actively to minimize current hazards to public health, will give even more attention to the prevention of future public hazards by establishing stricter environmental evaluation standards for local factories, Premier Yu Kuo-hua said Tuesday.

Premier Yu made his pledge after hearing suggestions by scholars and experts attending the environmental protection panel of the National Development Seminar in downtown Taipei.

Yu pointed out that because environmental protection had long been ignored, public hazards have been frequent occurrences in the country. To correct the past errors, Yu said, the government will work harder to protect local environments.

Some civic organizations and political parties have recently become involved in environmental protection activities and have thus hampered the government's efforts, he said.

Yu said he believes that many public hazards could be effectively prevented by using existing scientific technology.

In line with its environmental protection education policy the government will strengthen publicity and communications efforts with the public to upgrade the quality of life, Yu said.

In meeting with another panel, Premier Yu spoke highly of the contributions made to the Republic of China by the Chinese scholars and experts attending the forum, which has drawn over 220 participants this year.

Yu said as the Republic of China protects the freedom of speech, reporters and citizens are entitled to express their opinions freely in the newspapers, referring to recent local press reports questioning the necessity and effects of holding such a large seminar in Taipei almost every year.

The purpose of the seminar, Yu said, is to give Chinese scholars long residing in other countries the opportunity of seeing with their own eyes the nation's development and then to present their suggestions for government reference.

During the 12-day forum, participants may not be able to comprehensively diagnose the causes of many problems, but they are not to blame; the faults lie with the organizing committee, Yu said.

Yu also told the panel that the government will adopt additional across-the-board tariff cuts in the future to accomplish the task of economic liberalization and internationalization.



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